A Hotel Economic Feasibility Study
Monsignor O'Brien Highway, Cambridge, Massachusetts

By

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Submitted to the Department of Urban Studies and Planning in partial fulfillment of the requirements for the degree of

Master of Science in Real Estate Development

at the

Massachusetts Institute of Technology

September 2007

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ABSTRACT

A hotel economic feasibility study was carried out for an assemblage of four (4) parcels located on Monsignor O'Brien Highway in Cambridge, Massachusetts.

The primary objective of this economic feasibility study was to assess the supply and demand factors affecting the market for transient accommodations in the East Cambridge area for the purpose of recommending the size and type of hotel which is most logical for this assembled site. Once these perimeters were determined, an economic feasibility study was performed to evaluate the anticipated economic benefits and probable total project cost. The financial analysis undertaken was utilized to determine whether the return on investment makes the proposed project economically feasible.

It was determined in the initial stages of the study that the assemblage of parcels was flawed. After reconfiguring the assembled site, further analysis continued. In the end, the study validated the economic feasibility of a 250 key lifestyle brand type hotel. The hotel is conceived to be in operation as of January 1, 2011. The planning and entitlement process is expected to last approximately sixteen months. Construction is scheduled to take an additional two years time. The development will be have both mortgage and equity components. The internal rate of return based on the economic valuation of the property value of $68,431,191 is 8.37%. The mortgage component of $55,622,501 represents an IRR of 7%. The equity component is valued at $12,808,690 which represents an IRR of 12.4%

Thesis Supervisor: Brian Anthony Ciochetti
Title: Professor of the Practice of Real Estate

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I. Introduction

The subject of the economic feasibility study is ± 1.52 – acre site under consideration for the possible development of a first-class commercial hotel. The property consists of four parcels with the addresses of 209, 219, 221, & 225 Monsignor O'Brien Highway in the City of Cambridge, County of Middlesex, and State of Massachusetts.

The following study will validate the economic feasibility of a 250 key lifestyle brand type hotel. The hotel is scheduled to be in operation as of January 1, 2011. The planning and entitlement process is expected to last approximately sixteen months. The construction is scheduled to take an additional two years time. The development will be have both mortgage and equity components. The internal rate of return based on the economic valuation of the property value of $68,431,191 is 8.37%. The mortgage component of $55,622,501 represents an IRR of 7%. The equity component valued at $12,808,690 represents an IRR of 12.4%

The project's feasibility was established through an analysis of the following:

1. The physical site
2. Establishment of favorable economic and demographic projections
3. Validation of a suitable traveler segmentation within the existing market
4. A room night analysis used to calculate occupancy
5. A competitive analysis of surrounding hotels together with an average room rate analysis
6. A recommendation of facilities appropriate for the site
7. A forecast of income and expense
8. A comparison of an estimated total project valuation versus an economic value estimate
9. Lastly, a return on investment analysis

Method of the Study

The methods followed in this study were derived from the market research and valuation techniques as presented in the textbooks, *Hotels & Motels: Valuations and Market Studies*[1] and *How to Perform an Economic Feasibility Study of a Proposed Hotel/Motel.*[2] The specific steps integrating the analysis are outlined precisely as follows:

1. The subject site is evaluated from the standpoint of its physical utility for the hotel development, as well as access, visibility, and other relevant locational factors.

2. The surrounding economic environment on both an area neighborhood level is reviewed to identify specific hostelry-related economic and demographic trends that may impact on the future demand for hotels and motels.

3. By dividing the market for transient accommodations into individual segments, defined market characteristics can be determined for the types of travelers expected to patronize the

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[1] *Hotels and Motels: Valuations and Market Studies,* Stephen Rushmore, MAI, Erich Baum, American Institute of Real Estate Appraisers, 2001.

[2] *How to Perform an Economic Feasibility Study of a Proposed Hotel/Motel,* Stephen Rushmore, CRE, American Society of Real Estate Counselors, 1986.

area's hotels and motels. Some of the factors to investigate are purpose of visit, average length of stay, facilities and amenities required seasonability, and daily demand fluctuations and price sensitivity.

4. An analysis of existing and proposed competition provides an indication of the current accommodated demand, along with market penetration and the degree of competitiveness.

5. Recommendations are made as to the size and type of lodging facility believed to be best suited for the subject site based on the foregoing analysis.

6. Documentation for an occupancy and average rate projection are derived from a room night analysis employing the build-up approach based on analysis of lodging activity.

7. The total project cost is estimated by applying industry cost parameters to the recommended facilities and concept. Included in the final figure are all hard costs, such as building construction, furniture, fixtures, equipment, and land value; plus all soft costs such as legal and architectural fees, financing costs, insurance and taxes during construction, as well as pre-opening expenses, operating capital, and the initial year's operating leases.

8. A detailed forecast of income and expense, made in accordance to with the Uniform System of Accounts for Hotels, shows the anticipated economic benefits of the subject property.

9. The economic value when the hotel is complete and operational is estimated by an income capitalization approach. This analysis allocates the forecasted net income before debt service to the mortgage and equity components based on market rates of return and a debt coverage ratio. The total of the mortgage component plus the equity component equals the economic value of the hotel.

10. A return on investment analysis is made to determine the internal rate of return for the project components.

11. The conclusion of the economic feasibility of the subject property is based on the estimated economic value, the anticipated total project cost, and the return on investment.

II. Site Review

The site under review consists of four (4) separate parcels located on Monsignor O'Brien Highway in Cambridge, Massachusetts. The parcels are owned by three separate owners. At the time of this study it believed that only two of the parcels, 219 & 221 Monsignor O'Brien Highway are actively being marketed for sale. An assemblage of these four sites is thought to be necessary in order to create a sufficient land mass necessary for the development. The details of each parcel(s) is specified in Table which follows.

Identified Parcels

A map depicting the location of the targeted parcels can be found in Exhibit 1. shown below. A closer view may be obtained through the satellite image of the assembled site as seen in Exhibit 2., also shown below.

Exhibit 1. Assembled Parcels Map

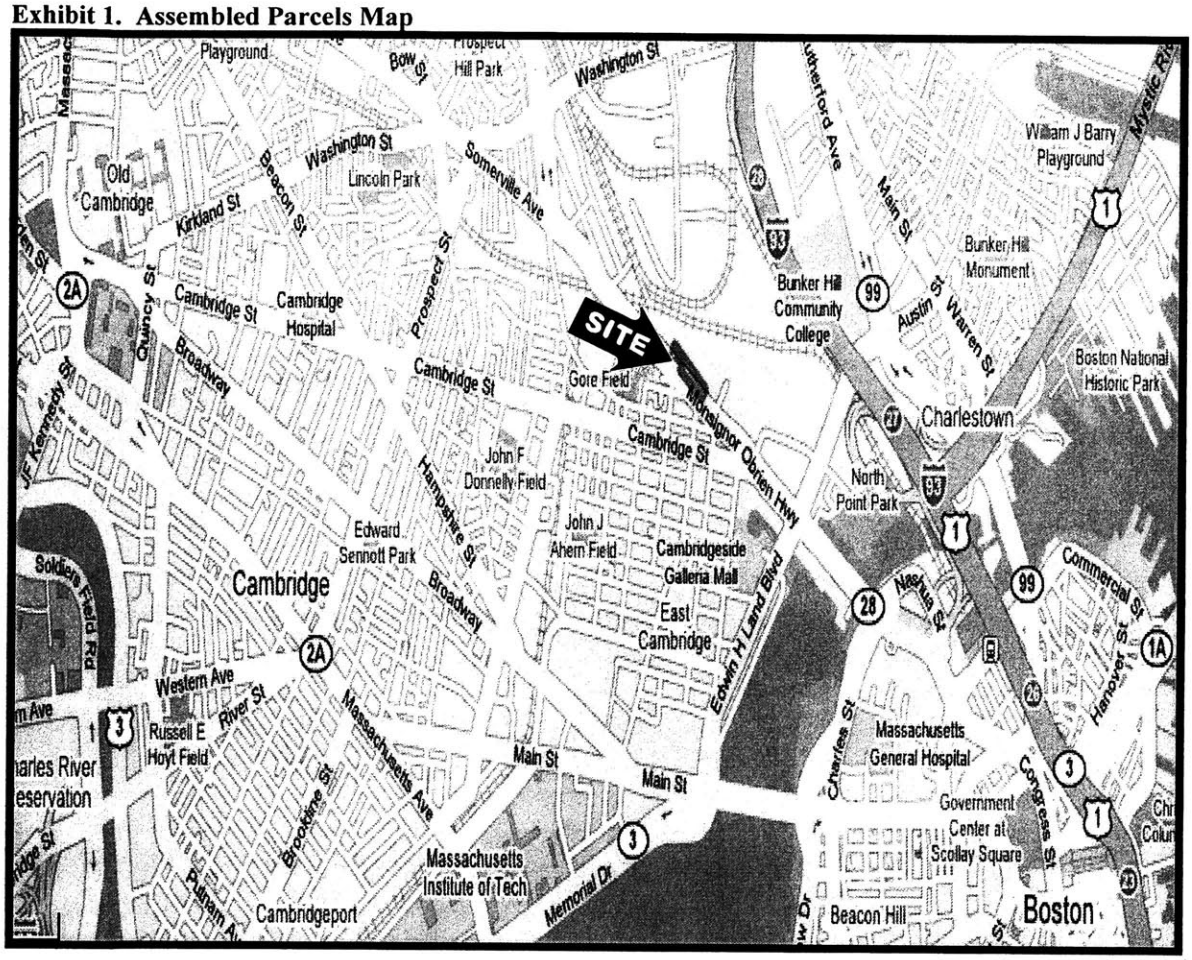


Exhibit 2. Satellite Image of Assembled Parcels

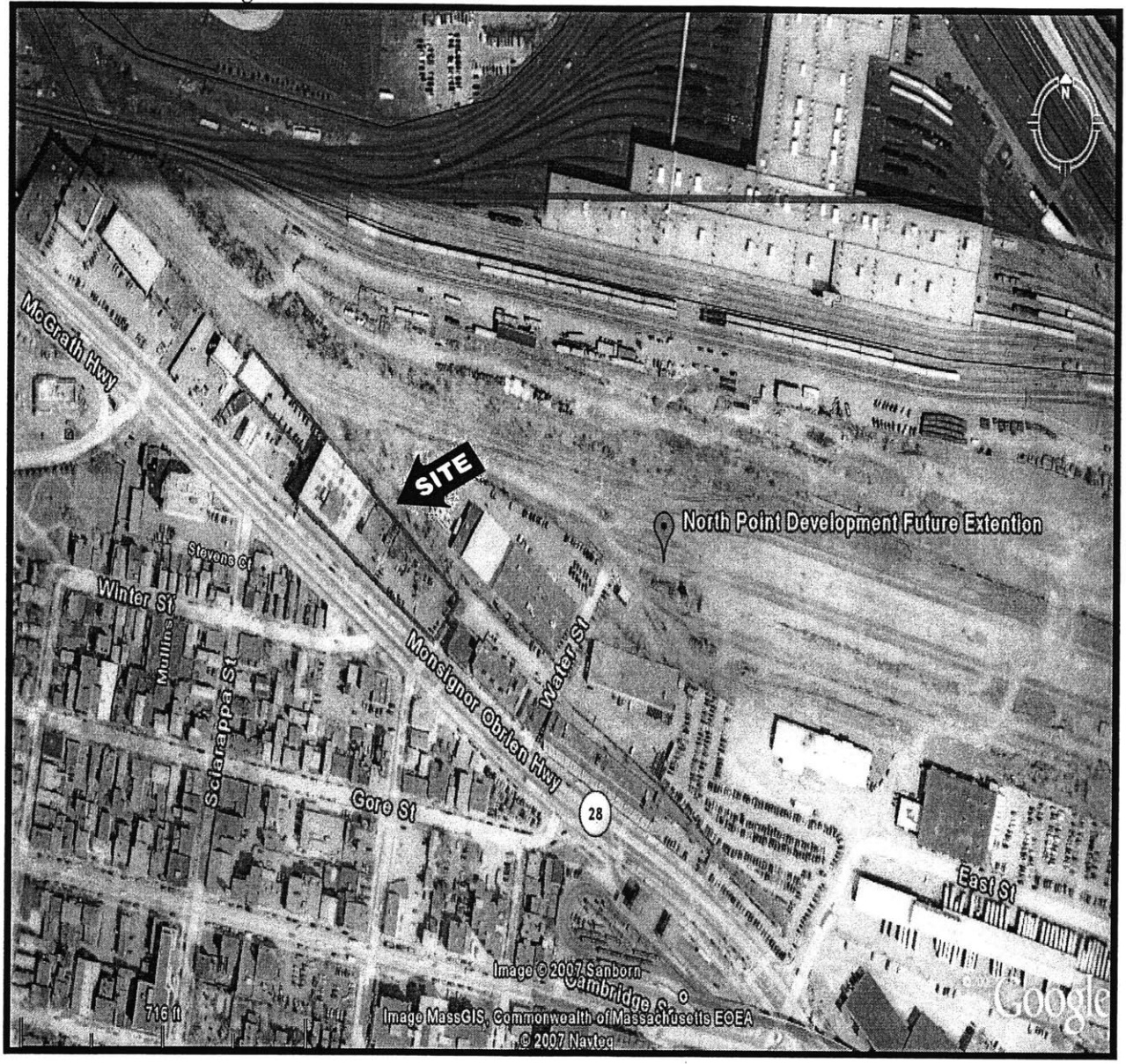


Table 1 Identified Parcels

Assembled Site Summary						
Total Buildings	**Total Land**	**Total Assessed**	**Total Assessed**	**Total Assessed**	**Allowable SF**	**Allowable SF**
101,588 SF	64,820 SF (1.49 Acres)	Building Value	Land Value	Value	Per FAR 1.5	Per FAR 3.0
		$ 3,031,600.00	$ 2,401,700.00	$ 5,443,300.00	99,577 SF	194,460 SF

Identified Parcels

Site I. - 219 Monsignor Obrien Highway

Property Information						
Property Class	**Zoning**	**Map/Lot**	**Building ID**	**Book/Page**	**Building Area**	**Land Area**
Parking Lot	SD-1	7-18	358-11	962/162	1,511 SF (No building, SF given)	11,065 SF

Property Value				
Yr of Assessment	**Tax District**	**Building Value**	**Land Value**	**Assessed Value**
2007	R0	$1,000.00	$436,800.00	$437,800.00

Owner Info				
Name	**St Address**	**City**	**State**	**Zip Code**
Richard J. Sullivan, & The City of Cambridge Tax Title	15 Nantucket Rd	Wellesley	MA	02181

Site II. - 221 Monsignor Obrien Highway

Property Information						
Property Class	**Zoning**	**Map/Lot**	**Building ID**	**Book/Page**	**Livable Building Area**	**Gross Building Area**
Warehouse	SD-1	7-19	358-9	925/176	29,983 SF	36,064 SF
						Land Area
						11,065 SF (vs. 11,182)

Property Value				
Yr of Assessment	**Tax District**	**Building Value**	**Land Value**	**Assessed Value**
2007	C1	$983,800.00	$447,300.00	$1,431,100.00

Owner Info				
Name	**St Address**	**City**	**State**	**Zip Code**
Richard J. Sullivan, & The City of Cambridge Tax Title	15 Nantucket Rd	Wellesley Rd	MA	02181

Site III. - 225 Monsignor Obrien Highway

Property Information						
Property Class	**Zoning**	**Map/Lot**	**Building ID**	**Book/Page**	**Livable/Gross Area**	**Land area**
Manufacturing	SD-1	7-29	358-7	13654/239	64,984 SF	36,682 SF

Property Value				
Yr of Assessment	**Tax District**	**Building Value**	**Land Value**	**Assessed Value**
2007	C1	$2,046,800.00	$1,307,300.00	$3,354,100.00

Owner Info				
Name	**St Address**	**City**	**State**	**Zip Code**
The Superior Nut Company, Inc.	P.O. Box 86	Cambridge	MA	02141

Site IV. - 209 Monsignor Obrien Highway

Property Information						
Property Class	**Zoning**	**Map/Lot**	**Building ID**	**Book/Page**	**Building Area**	**Land area**
Commercial - Dev - Land	SD-1	7-41	N/A	10452/470	N/A	6,008 SF

Property Value				
Yr of Assessment	**Tax District**	**Building Value**	**Land Value**	**Assessed Value**
2007	R0	$0.00	$210,000.00	$210,300.00

Owner Info				
Name	**St Address**	**City**	**State**	**Zip Code**
Michael J. and Civita Simeone	21 Ginn Rd	Winchester	MA	01890

Source: City of Cambridge, Assessing Department, Property Database

Size & Topography

According to the City of Cambridge Assessing Department's Property Database, the subject parcel(s) contains approximately 64,820 square feet (1.49 acres) of land. The site, once assembled, forms an irregular hexagon in shape, with 445' feet of frontage. The rear of the site abuts the Guilford Transportation Industries (now Pan American Systems) rail yard and measures approximately 652'. The buildings located at both 225 and 221 Monsignor O'Brien Highway (MSOHW) are serviced by a freight rail line which runs parallel to these two structures. Both the northern and southern property lines face adjoining parcels. The assembled site contains 387' of frontage. The rear of the site measures 534' in length. The northern most edge of the site sits back from the roadway approximately 87' (as part of map/lot 7-29). The furthest edge of this section of the site measures 74'and is approximately 203' in length. The southern

edge of the site (Map/lot 7-41) measures 125'. The approximate coordinates of the assembled site are as follows:

Coordinates of the Assembled Site

N 42°22'25.9" N 42.373851°
W 71°04'51.5" W 71.080961°

N 42°22'25.4" N 42.373712°
W 71°04'52.0" W 71.081107°

N 42°22'24.2" N 42.373391°
W71°04'49.8" W 71.080491°

N 42°22'23.5" N 42.373200°
W71°04'50.4" W 71.080677°

N 42°22'21.4" N 42.372597°
W71°04'46.2" W 71.079508°

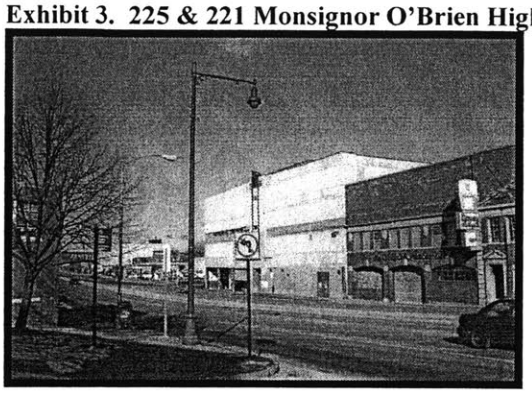
N 42°22'22.6" N 42.372932°
W71°04'45.9" W 71.079417°

The topography of the site is flat. Surface observations show no rock outcroppings, streams, ponds, or springs. Approximately 43% or 27,842 SF of the site is covered by three (3) existing structures. The first structure is located at 225 MSOHW and is currently serving as a manufacturing plant for various nut/food products. It was built in 1920 and measures 64,984 SF. The building is constructed of reinforced concrete with a masonry façade. The roof material is tar and gravel. The building is in fair condition. The second structure is located at 221 MSOHW. The building was last used as a warehouse by Sullivan Pipe Supply until approximately 2004. It was built in 1910 and measures 39,604 GSF. The building is masonry structure with a tar and gravel roof. The building is in poor condition. The third structure is located at 219 MSOHW. The structure measures approximately 2,000 SF. It was previously used as a loading area. The structure is built of wood. Due to the poor state of this structure, it will need to be demolished as soon as possible for precautionary reasons.

Approximately 57% or 36,978 SF of the site is covered by bituminous asphalt concrete parking. The soils are thought to be consistent with those of other urban filled sites in the immediate area. There were no environmental surveys available for review at the time of this study. Existing site conditions are based on empirical observations of the existing facility located at 221/219 MSOB as witnessed during a tour of the facility in 2004. It conceivable that some portion of the existing structure(s) will be demolished as part of this proposed development. Regardless of the percentage of demolition vs. renovation all remaining hazardous materials present will need to be remediated. There is a strong likelihood that lead based paints, as well as asbestos pipe insulations and mastics are present. Contingencies within the site/demolition budget should take these matters into account. Due to the age and character of the structure at 225 MSOHW, similar budgetary precautions should be made. A preliminary test boring report will be necessary in order to identify unusual rock formations and contaminants. Based upon existing structures in

the immediate area a mid-rise structure should not impose any major engineering problems. A photograph of the two existing structures located on the site is depicted below in Exhibit 3.

Exhibit 3. 225 & 221 Monsignor O'Brien Highway

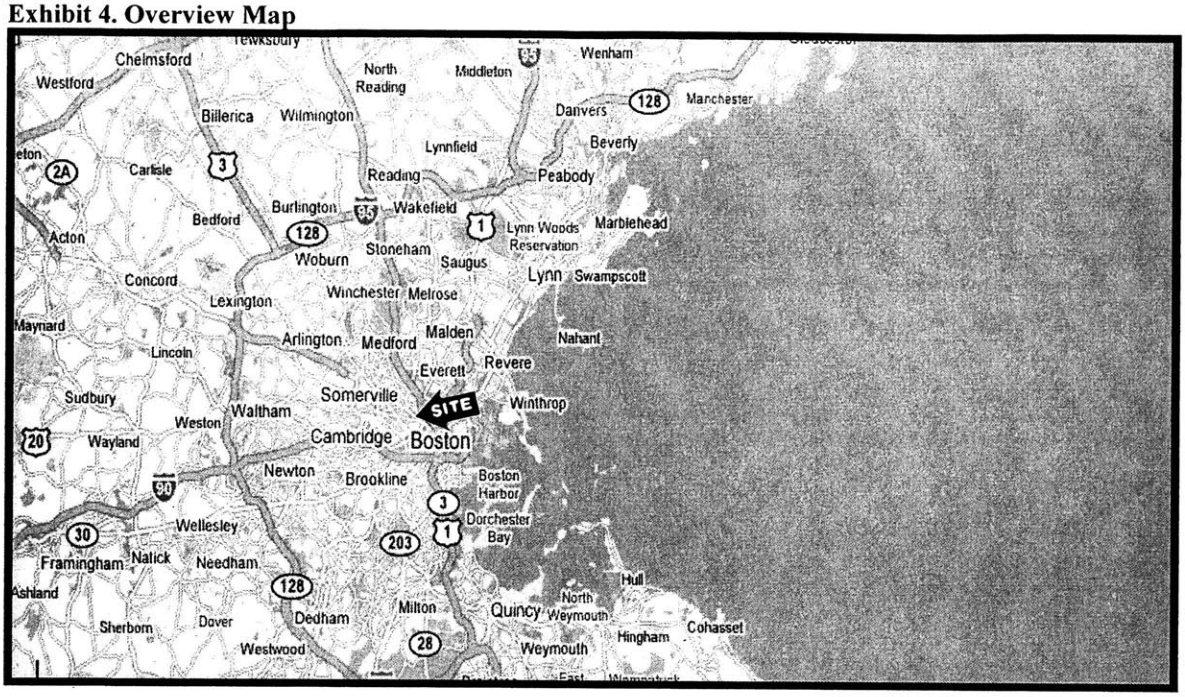


Access and Visibility

The site is located on the northern side of Monsignor O'Brien Highway which is also known as Route 28. The roadway consists of seven lanes and is separated by a concrete median strip. Per the Eastern Cambridge Planning Study of 2001, more than 25,000 vehicles pass the site each day. Each of the four parcels has existing curb cuts which allow egress/ingress from northern bound traffic only. South bound traffic must first pass the site and travel approximately 150 yards further before making a u-turn in order to proceed in a northern direction for immediate access to the site.

The site is readily accessible to major local, county, state roadways and highways. The project site is easily reached from the west by the Massachusetts turnpike via Memorial and Storrow Drives. Interstate 93 North/South which services travelers from the North and South Shores communities lies within a mile and a half distance of the subject site. Exit 26 and 28 are located within a ten minute drive of the site from I.93 and accommodate travelers from both directions. Communities located within the outer rings of Boston will gain access to the site via Rt. 495 and Interstate 95. Those traveling from Rt. 495 have the option of traveling to the site via the Massachusetts Turnpike or I.95/Rt. 128. Interstate 95/Rt.128 bisects I.93 in Woburn, Massachusetts which equates to approximately twenty-five minutes in travel time from the project site destination. The subject site in context of Boston and the surrounding towns is depicted in Exhibit 4. shown below.

Exhibit 4. Overview Map



The MBTA Lechmere Station is presently located within five minutes walking distance of the subject site. In addition, there are development plans underway to relocate the station across Monsignor O'Brien Highway from its current location. The new seventy million dollar station is part of the North Point Development. The station is scheduled to be operational in the fall of 2010. The specifics of the new station and the North Point development will be elaborated upon further within the following "Area Review: Economic and Demographic Analysis" section.

Logan International Airport is located within five (5) miles of the project and an approximate fifteen minute car ride. The airport is also accessible by way of the MBTA which is within a five minute walk from the site. Additional information regarding this significant hotel demand generator will be focused on within the following "Area Review: Economic and Demographic Analysis" section.

Utilities

The subject site has access to all of the following utilities: Municipal water and sewer, electricity, natural gas, telephone/cable, and high speed internet access. On-site incinerators are not allowed, but garbage and trash removal can be arranged. The property is served by all of the utilities and services necessary for a hotel use.

Zoning

The subject parcel is located within **Special District 1 (SD-1), Article 17.000** of the Cambridge Zoning Ordinance. Overall, a hotel use is compliant in SD-1. The FAR listed below of 1.5 is thought to be too low for a feasible development along the guidelines recommended by this thesis. This subject will be revisited in the FAR section of this section and again in greater detail in the "**Facilities and Concept Analysis**". The remaining

ordinances are not deemed detrimental to the proposed development. Additional specifics of the SD-1 are listed below:

Permitted Uses:
Hotel and Motel Uses shall be permitted by special permit from the Board of Zoning Appeal. All requirements of regulations applicable to the Industry A-1 District shall apply equally to the Special District 1.

Maximum FAR:
The maximum FAR for any lot in the district shall not exceed 3.0 as of right for Residential Uses, and **1.50** for all other permitted uses. ***It is noteworthy at this time to point out that an increase in the FAR will be necessary. Initial analysis based upon the presumed land costs dictates that an FAR ranging from 2.7 to 3.0 will be necessary. A zoning variance should to be explored. This subject matter is explained further within the "**Facilities and Concept Analysis**" of this study.

Building Height Limitation:
The maximum height permitted in the district shall be eighty-five (85) feet except as modified below:

(1) For lots lying northeasterly of Monsignor O'Brien Highway, the maximum height may be increased to one hundred and twenty (120) feet provided no portion of the building rises above a forty-five (45) degree bulk control plane beginning at an elevation of eighty-five (85) feet above the O'Brien Highway front lot line and rising thereafter in a northeasterly direction.

Minimum Yard Requirements:
Only the following yard requirements shall apply in the Special District 1.

a) Front Yard - a minimum three feet, measured from the property line, shall be required at Monsignor O'Brien Highway lot line; no front yard shall be required however for any structure in existence as of May 1, 1989.
b) Side Yard – None
c) Rear Yard – None

Minimum Parking Requirements:
One (1) per two sleeping rooms

Maximum Parking Requirements:
The maximum accessory parking permitted for all nonresidential uses shall be 4.5 spaces for each one thousand (1,000) square feet of lot area. Equated to approximately 298 spaces for the assembled site.

Siting of Parking Areas:
Parking areas shall not be located in the front yard required for any lot in the district. Enclosed parking facilities are encouraged. On grade open parking areas shall be located behind the building or buildings served or arranged in such a way as to minimize their visibility from public

ways. Where enclosed or structured parking is provided, the structure shall be finished in materials equal in quality to that used on the principal structures on the site to which the parking facility is accessory.

Building Facades:
Building facades should be designed so as to enhance the visual quality of the district. The following standards shall apply:

(1) A principal building entrance shall face Monsignor O'Brien Highway;
(2) Building facades and roof lines shall be articulated and expanses of unbroken wall planes shall be limited to thirty-five (35) linear feet for those facades facing public open spaces and/or public roadways;
(3) Ground floor levels shall include a minimum of thirty (30) percent transparency (non-reflective glass) to enliven and enrich the public environment where such levels contain active gross floor area (i.e. habitable space occupied by persons throughout the day) as defined in Article 2.000.

Project Review:
Special District 1 shall be considered an area of special planning concern and shall be subject to the Development Consultation Procedure, Section 19.0. A Project review Special Permit will be required for new building construction of fifty thousand (50,000) gross square feet. The time period necessary for the completion of such a review varies from approximately 90-120 business days.

Source: City of Cambridge, Community Development, Zoning Ordinance

Zoning in Summary
The subject site consists of 64,820 SF. The ordinance which will serve as an impediment to the proposed hotel is the low FAR of 1.5. The existing FAR will only allow 97,230 SF as of right. It's anticipated that an FAR of at least 3.0 will be necessary in order for this project to be economically feasible.

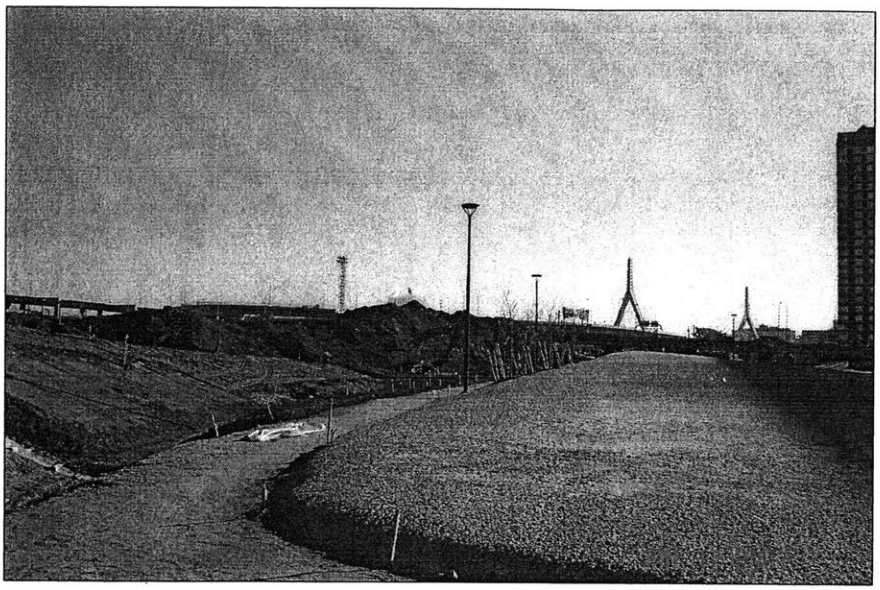
Pending Legislation Effecting the Site

As part of the site analysis of this study it is important to point out all issues that may hamper the economic feasibility of the site under review. There is current legislation pending which may affect the permitting process of the subject site. A detailed explanation of the legislative issue known as Chapter 91 follows below.

Chapter 91

SJC Slows Development of the $2B Project

February 13, 2007- The states highest court has ordered the developers of the North Point mixed-use project to seek a license under Chapter 91, which governs developments in tidelands. The ruling, which could delay construction and prompt legislative hearings, found that the state Department of Environmental Protection exceeded its authority when it granted the developers an exemption from the waterways statute.



The lawsuit was brought against DEP by the association of Cambridge Neighborhoods. Attorneys for the North Point's developer unsuccessfully argued the project should be excluded from Chapter 91 regulations because it would be constructed 1,500 feet from land-locked tidelands and not near costal waterways.

Exhibit 5. North Point 10-acre Park

The subject parcels may in fact face similar uncertainty as to whether or not similar Chapter 91 review will be necessary. According to a Landlocked Tidelands generated by Mapping Boston, 1999, the subject site does in fact fall within a tideland. This assessment is logical based upon the history of the area described in the "Historical Context" section in the following section. The consensus of opinion within the local development industry is that this matter should be resolved in 2008. It's believed that the state legislature will rule that projects slated for development on reclaimed areas will not be obligated to seek Chapter 91 review.

Site in Summary

The site is located in an ideal destination for a transient hotel. Its size and topography, access and visibility, availability of utilities and entitlement issues have been researched and evaluated. The following advantages and disadvantages are listed below:

Advantages

- Good frontage on a well traveled route;
- Well located relative to existing and future business and leisure demand drivers in Cambridge and Boston; (these topics will be covered in the "demographic" section of this study)
- Highly developed area roadway system of interstate highways and connector routes within close proximity of the subject site providing excellent access;
- Availability of public transportation and close proximity to international airport;
- Availability of necessary utilities.

Disadvantages

- The extension of the MBTA Greenline will pass adjacent/behind the project site contributing to noise pollution;
- Relief in the form of a zoning variance will be necessary in order to achieve an FAR of 3.0 vs. the existing 1.5 as of right;

- Until the Chapter 91 issues are resolved, the costs and time table associated with the entitlement process will vary. Securing financing may also be delayed as a result.

Assuming that an FAR variance is approved and the Chapter 91 issue is resolved in a positive and timely manner, the advantages of the project site outweigh the negative connotations associated with the noise of the Green Line extension. Creative architectural design should be considered in order to mitigate this problem.

III. Area Review: Economic and Demographic Analysis

Historical Context

The following historical text was derived from the Eastern Cambridge Planning Study, developed by the City of Cambridge Community Development Department in 2001. In lieu of soil examples for the subject site, this short history excerpt will serve to educate the reader about what type of conditions may be found at the site. It will also help the reader better understand how/why Chapter 91 legislation has bearing on the site. Lastly, it should lend to a better understanding of the area by explaining how it evolved over time.

In 1795, Andrew Craigie bought up a few farms, grazing fields, and marshlands that made up the original Eastern Cambridge area. Craigie formed a partnership with Boston Businessman Harrison Gray Otis and together they created the Lechmere Point Corporation. One of their first projects involved the building of Canal Bridge across the Charles River in 1809. The bridge lied adjacent to the current site of the Museum of Science. At the time, the Point was virtually an island with only a narrow connection to
the mainland. The first two streets through the area were Cambridge Street and Bridge Street (now Monsignor O'Brien Highway). In 1811, the Corporation laid out a street grid aligned with Cambridge Street that covered the peninsula and extended into the surrounding marshlands of the Charles River.

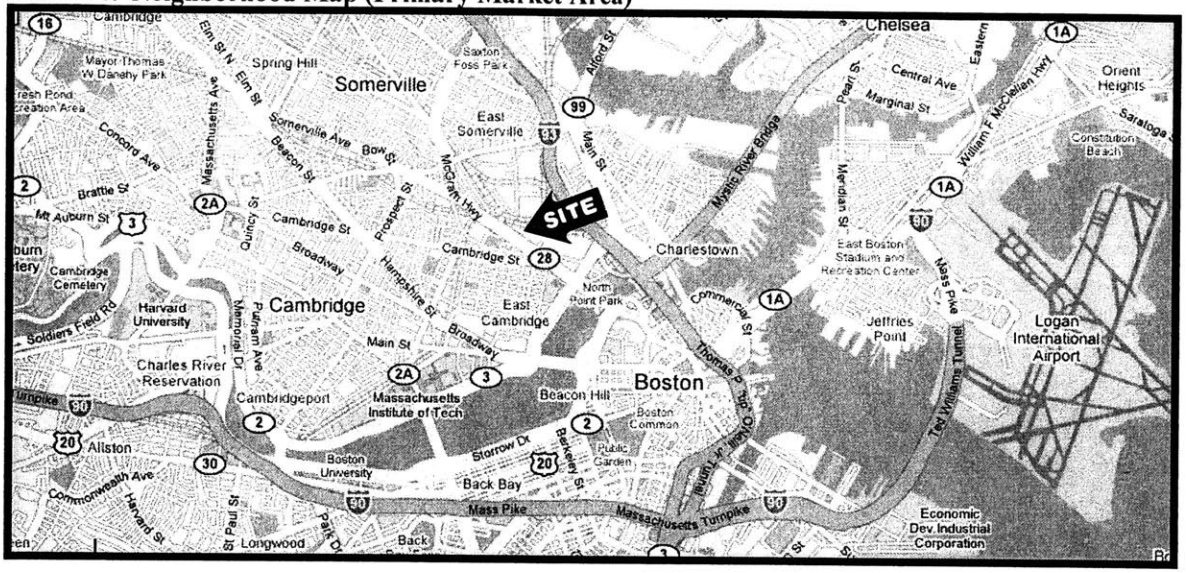
In 1813, the Lechmere Point Corporations sold its first parcels for industrial purposes along Miller's River (north of Cambridge Street) to the Boston Porcelain & Glass Company. This ushered in an era of intensive industrialization in Eastern Cambridge. As demand for factory sites close to water transportation intensified, land reclamation became a more attractive option. After the Civil War, the vast marshlands south of Charles Street and along the Charles River were filled in to meet the growing demand for industrial sites. Much of the area north of Monsignor O'Brien Highway (including Kendall Square, MIT, North Point and Lechmere Square) was marshland or water.

The Primary Market Area

The proposed subject property is situated in East Cambridge, Massachusetts, Middlesex County. Middlesex County is located in the Northeastern section of the state. Neighboring counties include Worcester County to the west, Essex and Suffolk Counties to the east, and Northfolk County to the south. Middlesex County consists of 848 square miles. Per the 2000 census, Middlesex County recorded a population of 1,465,396 people. The primary area encompasses an area of approximately three (3) miles out in all directions and/or a twenty minute travel time by vehicle. The conditions which defined the market area were the following: travel time from the

source of visitation and the subject property, methods of transportation commonly used, sources of transient visitation, and location of competitive lodging in the area. Exhibit 4. depicted below shows the neighborhood surrounding the site.

Exhibit 6. Neighborhood Map (Primary Market Area)



The City of Cambridge covers 6.4 square miles. The city is bordered by Watertown, Belmont, Arlington, Somerville, and Boston. The site is adjacent to the borders of both Somerville and Boston which converge in close proximity to Monsignor O'Brien Highway and the North Point development area. Monsignor O'Brien Highway abuts the residential neighborhood of East Cambridge, but the roadway itself is predominantly commercial based and dense.

Cambridge is home to several colleges and universities such a Harvard University, Massachusetts Institute of Technology, and Leslie College to name a few. Other demand generators in the area include Kendall Square with its flourishing biotech industry, as well as nearby hospitals such as Massachusetts General Hospital and Longwood Medical Center. Logan International Airport is located 20 minutes away by public transit, taxi or car. The area is rich with culture, history, and a diversified population. These demand generators and more will be detailed specifically according to the hotel demand segment which they most impact. Cambridge's last population as of 2005 was 100,135 people.

Economic and Demographic Analysis

A wide variety of economic and demographic data was collected and reviewed in order to define statistical trends that influence hotel demand. The statistics trends evaluated were associated with the following: Middlesex County, Cambridge and Boston Office markets, employment figures, population, retail sales, personal income, transportation and tourism. Each of the hotel demand segments, whether commercial, meeting & convention, and/or leisure demand are typically defined by the general direction of the before mentioned statistics. Furthermore; projections of these trends serve as means to predict future supply and demand ramifications for the subject project. Middlesex County data was utilized in this section of analysis because it is

considered indicative of the dynamics of the market study area. Boston and Cambridge statistics were used in tandem to the Middlesex County information and projections when available.

Office Market

Typically, a strong office market is a good indication of the economic health of an area. There are positive signs in both the Boston Office Market and the Cambridge Office/Lab Market that demand has in fact increased while vacancies continue to drop. Meredith & Grew reports that vacancies have gradually dropped in Boston's Financial District from 10.6% in the 3rd quarter of 2006 to 9.8% in 2nd Quarter of 2007. Similar is the story in East Cambridge. Office and R&D vacancies reported at 11.8% in the 3rd Quarter of 2006 have fallen to 9.3% in the 2nd Quarter of 2007. The decreasing trends are projected to gradually continue.

Employment

According to Massachusetts Executive Office of Labor and Workforce Development the current overall employment rate in Cambridge dropped -0.1% to 3.9% as of June 2007 in a year's period. Statistics show that total employment for Middlesex County grew at an annual rate of 0.72% from 1990 to 2005. In fact, between the years of 2000-2005, the total employment for the county declined at an average annual compound rate of -0.58%. According to Woods & Poole data, total employment for Middlesex County is projected to come back and grow at an annual compound rate of 1.48% from 2005 through 2010. The table shown below portrays the total employment analysis for the county, the Boston MSA, Massachusetts and the United States.

Table 2

Employment					
		Middlesex County	Boston MSA	State of MA	US
	1980	797,707	227,089	3,142,168	114,231,187
	1990	958,890	2,689,049	3,646,584	139,380,891
	2000	1,067,601	3,046,389	4,096,551	166,758,782
	2005	1,037,189	3,051,694	4,128,677	172,587,009
Compound Annual Growth (CAGR)					
CAGR 1990-2000		1.81%	2.10%	1.96%	3.03%
CAGR 2000-2005		-0.58%	0.03%	0.16%	0.69%
CAGR 1990-2005		0.72%	1.16%	1.14%	1.96%
Projected					
	2010	1,116,197	3,251,653	4,380,031	186,079,920
CAGR 2005-2010		1.48%	1.28%	1.19%	1.52%

Source: Woods & Poole Economics of Washington D.C.

Employment is a pivotal economic indicator on the regional level. The make-up of an area's work force establishes the type and amounts of visitation that is likely to be created by local companies. Within Cambridge, two broad industries areas dominate the market place. These industries include educational services and the professional, scientific and technical services area. The strong presence of financial, insurance, and real estate (F.I.R.E) and services sector is important for the lodging industry. These fields tend to have the greatest impact on hotel demand. The service firms themselves create hotel demand by attracting visitors to the area that they do business with. The data below in Table 3 portrays the strengths of these industries within the Cambridge labor force.

Table 3
Most Common Industries for Males

- Educational services (26%)
- Professional, scientific, and technical services (19%)
- Health care (6%)
- Finance and insurance (5%)
- Accommodation and food services (4%)
- Data processing and other information services (3%)
- Publishing, and motion picture and sound recording industries (3%)

Most Common Industries for Females

- Educational services (29%)
- Professional, scientific, and technical services (15%)
- Health care (13%)
- Finance and insurance (5%)
- Accommodation and food services (3%)
- Data processing and other information services (3%)
- Social assistance (3%)

Source: City-Data.Com

Records show that services, retail trade and manufacturing have historically been the three largest employment sectors in Middlesex County. In aggregate these three sectors represent approximately 79% of the total employment in the county. From 2000-2005, the service sector declined -0.10% on a compounded annual basis. During that same time period the manufacturing sector also declined -4.36%. On the contrary, retail trade increased 0.64% on an annual average compounded basis. It's projected that both the services and retail trade sectors will grow at an average annual compounded rate of 1.70% and 0.75%, respectively from 2005-2010. The manufacturing sector should hold constant during the same time period. These statistics and projections are evidenced in the table below.

Table 4

Middlesex County Employment Analysis

Sector	1980	1990	2000	2005	Projected 2010
Agriculture and Mining	6,492	7,899	10,658	13,822	14,571
Construction	29,294	39,807	50,800	52,113	54,424
Manufacturing	202,521	169,288	127,368	101,922	101,913
Utilities	27,745	30,423	36,029	34,992	37,010
Wholesale Trade	43,677	58,881	61,579	58,226	63,601
Retail trade	117,958	135,453	143,629	148,316	153,953
F.I.R.E.	41,338	57,472	61,742	64,477	68,310
Services	233,305	364,214	487,910	485,387	528,136
Government	95,377	95,453	87,886	91,106	94,279
Total Employment	797,707	958,890	1,067,601	1,037,189	1,116,197

Compound Annual Growth	80-90	90-00	00-05	Proj.05-2010
Agriculture and Mining	1.98%	5.12%	5.34%	1.06%
Construction	3.11%	4.15%	0.51%	0.87%
Manufacturing	-1.78%	-4.63%	-4.36%	0.00%
Utilities	0.93%	2.86%	-0.58%	1.13%
Wholesale Trade	3.03%	0.75%	-1.11%	1.78%
Retail trade	1.39%	0.98%	0.64%	0.75%
F.I.R.E.	3.35%	1.20%	0.87%	1.16%
Services	4.55%	4.99%	-10.00%	1.70%
Government	0.01%	-1.37%	0.72%	0.69%
Total Employment	1.86%	1.81%	-0.58%	1.48%

Absolute/Total Change	80-90	90-00	00-05	Proj.05-2010
Agriculture and Mining	1,407	2,759	3,164	749
Construction	10,513	10,993	1,313	2,311
Manufacturing	-33,233	-41,920	-25,446	-9
Utilities	2,678	5,606	-1,037	2,018
Wholesale Trade	15,204	2,698	-3,353	5,375
Retail trade	17,495	8,176	4,687	5,637
F.I.R.E.	16,134	4,270	2,735	3,833
Services	130,909	123,696	-2,523	42,749
Government	76	-7,567	3,220	3,173
Total Employment	161,183	108,711	-30,412	79,008

Source: Woods & Poole Economics of Washington D.C.

In summary, employment sector increases resonate to hotel owners in the forms of greater transient demand. The larger and stronger the industry, the more visitors will be attracted to the area. These business travelers will be in need of hotel accommodations. This is especially true of the service industry because this sector tends to attract more business related visitations.

Major Employers/Related Demand Drivers

Biotech/Kendall Square

As previously stated, the professional, scientific, and technical services serve as major employment sectors within Cambridge. Kendall Square serves as significant demand driver for the local hotel industry due to the associated transient commercial visitors that it attracts. The high concentration of biotech firms in this area has earned it the status of one the world's major biotech centers. The biotech industry in Kendall Square is leading the current revolution in

genomic research, nanotechnology and brain science. In the process, tens of thousands of visitors are drawn to this area each year.

In addition to these private firms, the two local universities, Harvard University and Massachusetts Institute of Technology also contribute to local lodging demand. Below is a list of the major employers in Cambridge.

Table 5
Major Employers/Kendall Square

Genzyme
Biogen Idec
Millennium
Vertex Pharmaceuticals
Novartis Institute for BioMedical Research
Wyeth Pharmaceuticals
Shire Pharmaceuticals
Alkermes
Biopure
ImmunoGen
Dyax
Harvard University
Massachusetts Institute of Technology
The Whitehead Institute
The Broad Institute
The Center for Integration of Medicine and Innovation Technology in Cambridge

Source: Cambridge Community Development Department

North Point Development

An additional demand driver which will benefit the subject property is the continuation of the North Point Development. The North Point construction project is well underway in East Cambridge. The development team consists of Jones Lang LaSalle and Pan Am Systems Inc. The plan calls for 5.2 million square feet of buildings on 45 acres, 2,500 new residences, 20 buildings on 19 blocks, a 10-acre central park, and retail space. The project will be completed in several phases. North Point's master plan was created by Ken Greenberg of Toronto and CBT/Childs Bertman Tseckares Inc architects of Boston.

Late in 2005, the Legislature approved MassDevelopment bonds for $130 million which were guaranteed by the value of the North Point land. This enabled to the development team to build most of the streets, sidewalks, green space, sewage systems, and utilities.

The first phase of North Point construction began in the spring of 2006. The two residential building, "Tango" and "Sierra" are well underway. Residences from these two buildings will total 338 condominiums priced from the mid-$300,000s to the $800,000s. Tango, the 236,233 SF, 230 unit building is scheduled for completion in the spring 2007. Units are configured as two-story lofts and flats with open floor plans and 14' floor-to-ceiling windows. Sierra consists of 113,955 SF with 99 units. This project is scheduled for completion in 4th quarter of 2007.

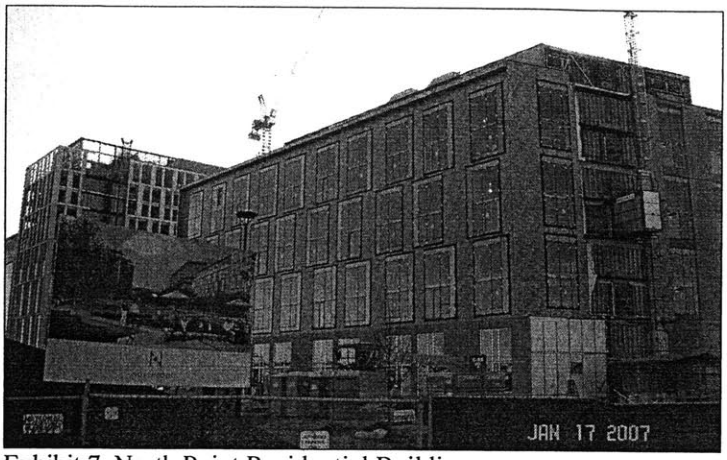


Exhibit 7. North Point Residential Building

The second phase kicked off with a ribbon cutting on October 23, 2006. The event celebrated the start of a new MBTA Multi-Modal Transit Station featuring the new Lechmere Green Line Station and Busway at North Point. The station is being paid for by the developer, but undertaken in a public-private partnership with the MBTA. The station is scheduled to be completed in 2010. The estimated cost of construction is approximately $70 million. The extension of First Street to North Point is intended to connect East Cambridge with the North Point Neighborhood. The station is being designed by Parsons Brinckerhoff's private division and Handel Architects LLP of New York. Handel is known locally as the architect for Millennium Place in Boston. The new Lechmere Station at North Point is being built as part of a six-year initiative to install most of the transportation foundation for the buildings to come. It includes a street grid for the area, an old Guilford Transportation railroad yard, and a pedestrian friendly reconfiguring of the adjacent Monsignor O'Brien Highway.

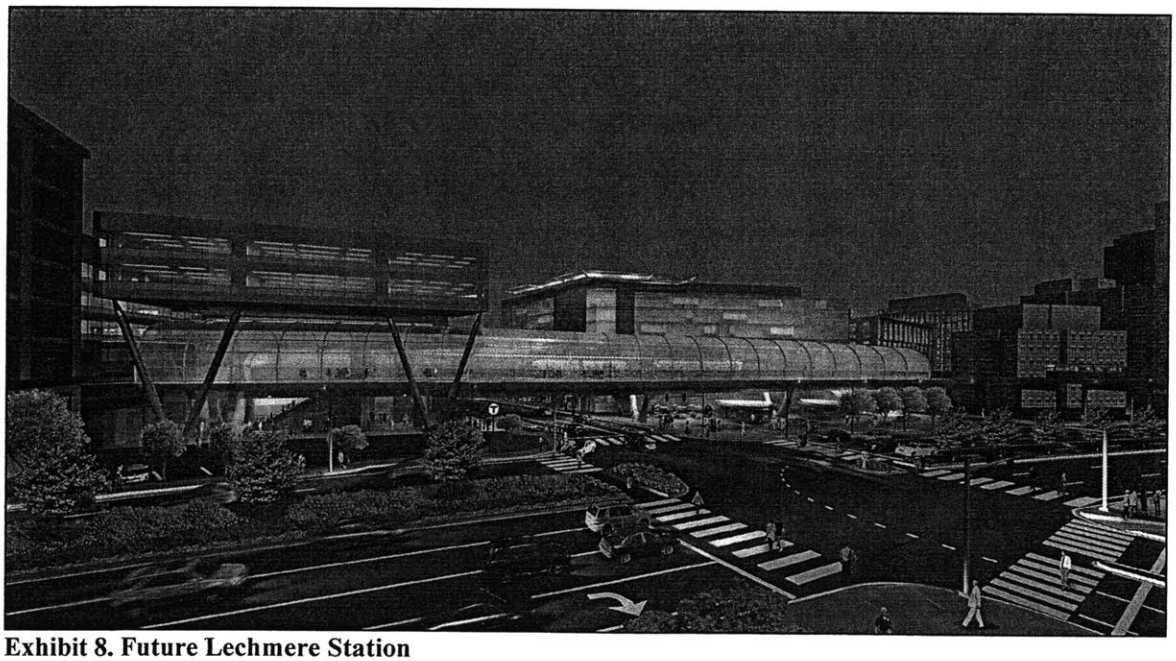


Exhibit 8. Future Lechmere Station

The phase calls for the creation of up to 1.8 million square feet of mixed-use development. The master plan calls for four buildings including one with restaurants and shops, a lab, and two with office and ground floor retail. A hotel will also contribute to the 24/7 city life style envisioned for the development. Upon completion, the development will included 2.2 million square feet of commercial space in total.
Although not for certain, it's believed that this phase will include the erection of at least one commercial building along with the station. The 270,000 square foot building at parcel "U" will have floor plates ranging from 20,000-25,000 square feet. The second of the two office/lab buildings proposed, "N", will consist of 335,000 square feet with 35,000 floor plates. The building will rise to eleven stories enabling views of the Leonard Zakim Bridge, downtown Boston, and the Charles River. These buildings will be situated on the five-acre park to be completed in phase one. The area will provide employees with four times the area found in Post Office Square. The buildings will be located directly adjacent to the Gilmore Bridge. Direct access to the pedestrian walkway of the Gilmore Bridge will be created via a bridge level plaza. The plaza will contribute to a four-minute walk to the Orange Line. The Orange Line provides connections to the computer rail at both North and Back Bay Station, as well as direct connection to the Red, Blue and Green Lines of the MBTA.

This vast development will attract business travelers to the area in need of lodging. Additionally, the public transportation to the subject hotel will be improved. Business travelers demand proximity to places of business and ease of transportation. The subject hotel is ideally located to profit from North Point's future attraction of these types of visitors.

It is significant to note that this development will face delays due to impending litigation between the project's partners. It's believed that this project will get back on track due to the vast sums of capital invested invested, as well as a large amount of political involvement. The timing of this resolution in unknown at this time.

Population
Population historic data and future demographic expectations often reflect the locale's economic climate. Both Middlesex County and Cambridge in particular have shown negative population growth during the historic period from 2000-2005. The Cambridge population has declined by approximately -1%. The population of Middlesex County has dropped at an average annual rate of -0.13%. It's predicted that the population in Middlesex County will increase at an average annual rate of 0.17% through 2010. The tables below depict the historic Cambridge and county populations, as well as the projected population trends for Middlesex County, the Boston MSA, Massachusetts and the United States. The fact that the population is growing, albeit slowly, is a good indicator of a healthy market. Visitors in need of hotels rooms are attracted to areas that are economically sound; this in turn contributes to room night demand.

Table 6

Population				
	Middlesex County	Boston MSA	State of MA	US
1990	1,399,308	4,137,302	6,022,639	249,622,814
2000	1,468,781	4,401,523	6,362,132	282,193,477
2005	1,459,011	4,411,835	6,398,743	296,410,404
Compund Annual Growth (CAGR)				
CAGR 1990-2000	0.81%	1.04%	0.92%	2.07%
CAGR 2000-2005	-0.13%	0.05%	0.11%	0.99%
CAGR 1990-2005	0.38%	0.59%	0.55%	1.57%
Projected				
2010	1,471,737	4,533,258	6,566,960	311,843,984
CAGR 2005-2010	0.17%	0.54%	0.52%	1.02%

Source: Woods & Poole Economics of Washington D.C.

Table 7

Cambridge Population		
Year	Population	Change Rate
2000	101,355	N/A
2001	102,314	0.95%
2002	102,023	-0.28%
2003	101,494	-0.52%
2004	100,802	-0.68%
2005	100,135	-0.66%

Source: IDcide

Retail Sales

Trends in retail sales reflect both changes in population and account for the tendency of local inhabitants and visitors to spend money for goods. Retail sales indices are an indicator of an area's overall health. Retail sales for the county grew at an average annual compound rate of 2.67% from 1990-2005. Sales dropped to 1.67% from 2000-2005. Projections state that the growth in retail sales will decline further to 1.10% through 2010. Table 8. outlines both the historic rates and projections through year 2010.

Table 8

Retail Sales				
	Middlesex County	Boston MSA	State of MA	US
1990	$13,336	$40,292	$56,790	$2,079,504
2000	$16,878	$51,020	$69,503	$2,867,300
2005	$17,827	$54,550	$74,368	$3,207,179
Compund Annual Growth (CAGR)				
CAGR 1990-2000	4.00%	4.01%	3.42%	5.50%
CAGR 2000-2005	1.10%	1.35%	1.36%	2.27%
CAGR 1990-2005	2.67%	2.79%	2.48%	4.02%
Projected				
2010	$18,828	$58,855	$79,968	$3,538,596
CAGR 2005-2010	1.10%	1.53%	1.46%	1.99%

Note: Values are expressed in millions of dollars and as consistent 1992 dollars
Source: Woods & Poole Economics of Washington D.C.

Personal Income and Wealth Index

Personal income levels serve as a gauge similar to population and retail sales trends, which measures economic health and vitality of the local market. The table below details the historic and projected growth figures in personal income through 2010. Personal income grew at an average annual compound rate of 3.55% though 2005. According to Woods and Poole data, personal income will increase through 2010 at an average annual rate of 1.69%. When local inhabitant's personal income grows, they will be more willing to spend. This spending lends to the overall vitality of an area. It is this energy which in part attracts visitors.

Table 9

Personal Income					
		Middlesex County	Boston MSA	State of MA	US
	1990	$43,549	$118,767	$161,279	$5,650,072
	2000	$63,681	$170,611	$224,708	$7,878,598
	2005	$63,918	$174,778	$231,299	$8,466,007
Compund Annual Growth (CAGR)					
CAGR 1990-2000		6.54%	6.22%	5.68%	5.70%
CAGR 2000-2005		0.07%	0.48%	0.58%	1.45%
CAGR 1990-2005		3.55%	3.57%	3.33%	3.74%
Projected					
	2010	$69,520	$191,159	$251,889	$9,396,818
CAGR 2005-2010		1.69%	1.81%	1.72%	2.11%

Note: Values are expressed in millions of dollars and as consistent 1992 dollars
Source: Woods & Poole Economics of Washington D.C.

Historical evidence of this increase in personal wealth in Cambridge is evidenced below in Table 10. The median household income for Cambridge was $47,979 increasing to $59,746 in 2005.

Table 10

Estimated median household income in 2005: $59,746 (it was $47,979 in 2000)
Cambridge $59,746
Massachusetts: $57,184
Source: City-Data.Com

A second index used to measure a population's wealth is the wealth index depicted below in Table 11. The wealth index is a relative index that measures disposable income of the region against a national average set at 100 for each annual period. The wealth index for the county in 2005 was 150 which is 50% higher than the national average. It's projected that the wealth index for Middlesex County will reach 153 by 2010.

Table 11

Wealth Index				
	Middlesex County	Boston MSA	State of MA	US
1990	134	122	114	100
2000	151	134	122	100
2005	150	134	122	100
Compund Annual Growth (CAGR)				
CAGR 1990-2000	2.02%	1.50%	1.13%	0.00%
CAGR 2000-2005	-0.07%	0.09%	0.08%	0.00%
CAGR 1990-2005	1.07%	0.85%	0.65%	0.00%
Projected				
2010	153	135	123	100
CAGR 2005-2010	0.36%	0.14%	0.09%	0.00%

Note: Wealth indices reflect adjusted disposable income (i.e. buying power); figures are indexed to average for the U.S., which is 100.
Source: Woods & Poole Economics of Washington D.C.

Transportation

The project site is ideally situated with its proximity to Boston's Logan International Airport. The airport is New England's largest transportation center. As previously stated, the airport is within 2.5 miles of the site which translates into approximately 15-20 minutes in travel time by automobile. Additionally, the airport can be reached by public transportation from the project site via the MBTA Green Line rail with a transfer to the Blue Line. Travel time is approximately 40 minutes.

In 2005, Boston Logan International Airport served 27,087,905 passengers, handled 409,066 flights and facilitated the movement of 742 million pounds of cargo. It's New England's largest transportation center. The airport boundary encompasses approximately 2,400 acres in East Boston, Massachusetts. Logan ranks 20th in the nation in passenger volume and 19th in flight movements based on Airports Council International survey of top 50 airports. The airport employs about 12,000 workers and stimulates the New England regional economy by approximately $7 billion per year.

There has been an increase in the number of passengers beginning in 2003. Year to date numbers in both passengers and flights appear to be slightly up from the same period last year. The local travel demand appears to outweigh the rising costs of tickets associated with increasing fuels costs. The Massachusetts Port Authority releases annual airport statistics as depicted below.

Table 12

Logan Airport Statistics								
Year	Total Flights	% Change	Inbound Passengers	% Change	Outbound Passengers	% Change	Total Passengers	% Change
2000	452,763		13,838,781		13,888,052		27,726,833	
2001	434,386	-4.1%	12,251,210	-11.5%	12,223,720	-12.00%	24,474,930	-11.70%
2002	352,678	-18.8%	11,351,462	-7.3%	11,344,679	-7.20%	22,696,141	-7.30%
2003	344,644	-2.3%	11,385,919	0.3%	11,405,250	0.50%	22,791,169	0.40%
2004	374,022	8.5%	13,068,326	14.8%	13,074,190	14.60%	26,142,516	14.70%
2005	376,414	0.6%	13,549,974	3.7%	13,537,931	3.50%	27,087,905	3.60%
2006	374,675	-0.5%	13,885,050	2.5%	13,840,393	2.20%	27,725,443	2.40%
CAGR 2000-2006		-3.1		0.10%		-0.10%		0.00%
May YTD 2006	158,736		1,204,562		1,180,738		11,152,487	
MAY YTD 2007	161,364	1.70%	1,252,856	4.00%	1,227,792	4.00%	11,241,147	0.80%

Source: Massachusetts Port Authority

Tourism

As of the latest recorded statistics (2005), over 10.8M people visited the Boston area on leisure travel. This is a 3.85% increase over 2004. Total domestic and international travel spending in Massachusetts, including direct and indirect spending, was $19.7 billion in 2004, up 10.3% from 2003. Leisure travel to the area has been aided by international travelers attracted to the currently weak US dollar. The increasing trend of visitors is evident in Table 13 shown below.

Approximately, 5M leisure travelers made their way to Cambridge in 2006. According to the Cambridge Office for Tourism this represents a 1.5% increase from 2005.

Table 14 identifies local tourism related demand generators. This list depicts those attractions that are within a 15 minute walking distance or 15 minute's travel time by either public transportation or taxi.

These visitation locations all contribute to room night demand in the primary market area. These visitors comprise of people from within the state spending the weekend, out of state visitors, and international visitors all traveling to the area to visit these attractions. They will stay in hotels that provide easy access to the demand generators. The total room night demand increases across the board for the different types of hotels based on these visitors' personal preference and economic means.

Table 13

Boston Visitors							
	1999	2000	2001	2002	2003	2004	2005
Leisure	8.69M	8.86M	9.10M	9.29M	9.86M	10.4M	10.8M
Business	5.87M	6.10M	5.7oM	5.90M	6.02M	6.2M	6.8M
	14.56M	14.96M	14.8M	15.1M	15.88M	16.6M	17.6M
		2.80%	-1.10%	2%	5%	2.50%	5.50%

Table 14

Local Tourism Attractions
The Boston Museum of Science
The Boston Duck Tours
Harvard Square
USS Constitution
The Freedom Trail
Bunker Hill Monument
Charles River Hatch Shell
The New England Aquarium
Beacon Hill
Fenway Park
Boston Garden

Area Economic & Demographic Analysis in Summary

Overall, the local and regional economies are expected to gradually strengthen over the next few years. The growth which is evident in the current Boston office market and the office and R&D market in Cambridge is encouraging. The service sectors behind the increasing demands in these markets should continue to strengthen. The new Lechmere Station should be underway by 2011, as well as plans for additional office space as part of the North Point development. Additionally,

the increase in the number of passengers traveling through Logan International Airport should compliment the commercial and meeting segments of local hotel demand, as well, as bolster leisure related demand.

IV. Market for Transient Accommodations

According to Rushmore, "The market for transient accommodations has an all-encompassing terminology relating to the many types of travelers utilizing lodging facilities within in area. For the purpose of demand analysis, the overall transient market is subdivided into individual segments according to the type or nature of travel."[3] The three primary classifications which were deemed the most relevant for the project site were the commercial, meeting, and leisure segments. The extended stay segment was researched, but not as much emphasis was placed on this type of demand due to limitations of the proposed site for this type of hotel/segment. The demand generators are the local businesses and tourist attractions of the area previously mentioned

Commercial Demand Segment

Commercial demand within the Cambridge market consists of a majority of domestic travelers with small, yet significant amount of international travels included. Commercial demand includes all tiers of business travelers, trainees, and recruits. Also included in this segment are medical staff, educators, and government related personnel.

These travelers typically travel throughout the year with months of December and January tapering off. They tend to stay 2-3 nights and travel predominantly Tuesday through Thursday. Weekend travel for the commercial segment is light.

Commercial travelers typically prefer single occupancy, efficient check in/out, high quality accommodations, proximity to place of business, and efficient accessibility to transportation routes.

In 2006, total occupied room nights reached 403,577 within the competitive hotels chosen as part of this study. Based upon the strong demographic attributes of the area and the increased demand in the local office markets, the commercial demand segment is forecasted to grow 5% in 2007, 2.5% in 2008, and the steadily at 2% there after.

Meeting and Convention Demand Segment

The meeting and convention demand consists of state, regional, and national association business, corporate groups, as well as social groups.

The timing of this demand segment is not specific, but instead occurs throughout the week. Because of the variety of groups, this type of demand also occurs through out the year. This group typically stays 2 days.

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[3] *How to Perform an Economic Feasibility Study of a Proposed Hotel/Motel,* Stephen Rushmore, CRE, American Society of Real Estate Counselors, 1986.

The meeting and convention segment typically demands discounted room rates, quality food and beverages, flexible meeting space, proximity to local attractions, and flexible bedroom accommodations.

In 2006, total occupied room nights reached 126,219 within the competitive hotels chosen as part of this study. Based again on the strength of the local office markets and the projected increase in personal wealth, it's believed that this segment will grow at 3% in 2007, 2% in years 2008-2011, and then taper off to 1.5% in years 2013-2014.

Leisure Segment Demand

Leisure demand consists of both domestic and international travelers. The Cambridge and Boston areas have an abundance of attractions which attract transient visitors. Leisure travel often compliments the commercial segment as travelers typically occupy weekend room nights.

Demand in this segment typically requires larger than average guestrooms and Friday or Saturday night stay over, proximity to attractions and public transportation.

In 2006, total occupied room nights reached 209,137 within the competitive hotels chosen as part of this study. Due to the richness of the area, projected increases of personal income at the county, state, and country levels, as well as increased flights from Logan International Airport this segment is projected to grow 3% in 2007, 2% in 2008-2011, and then taper off to 1.5% in years 2013-2014.

Extended Stay Segment Demand

Extended stay contributes the least to the primary market area of this study, about 9.6%. Extended stay demand is typically characterized by lengths of stay for more than five consecutive nights.

This segment typically requires larger than average bedrooms, in-room kitchen facilities, and complimenting amenities in the immediate area.

In 2006, total occupied room nights reached 70,557 within the competitive hotels chosen as part of this study. Projections for this segment are conservative, but steady. This segment is projected to grow 2.5% in 2007, 2% in 2008-2011, and then taper off to 1.5% in years 2013-2014.

Table 15

AVERAGE SEGMENT PERCENTILES

		Annual Room Room Night Demand
Commercial	50.3%	403,577
Meeting	14.0%	126,219
Leisure	26.3%	209,137
Extended Stay	9.6%	70,557
Total	100.0%	809,490

Room Night Analysis

The projected occupancy rate for a hotel is often calculated through a room night analysis. According to Rushmore, "A room night is a measure of demand, equal to one room occupied by one or more guests for one night. A level of occupancy is calculated by dividing the number of room nights of demand by the number of room nights available"[4].

The fundamental factors needed to develop an accurate room night analysis are the proper quantification of the room night demand within a given market area and the allocation of this of this demand to the subject property and the competitive hotels.

The approach used to estimate an area's room night demand is the build-up approach. This approach is based on an analysis of hotel activity. Transient demand can be estimated by totaling the rooms actually occupied in local hotels. Occupancy levels for individual hotels are estimated based on interviews with hotel operators and/or others "in the know" within the industry. The next step involves multiplying the percentage of occupancy for each of the hotels by its available number of rooms by 365. This will result in the total number of room nights occupied on an annual basis.

The area's total room night lodging demand is determined by adding these estimates. Lastly, a factor is added to account for unaccomodated demand during peak occupancy levels.

The analysis that follows was derived by following the eight steps of the build up approach as defined by Stephen Rushmore within the text, "How to Perform an Economic Feasibility Study of a Proposed Hotel. The steps are applied to the current study and depicted in table form after all of the steps are defined.

1. The individual occupancy levels are estimated for the subject property's primary competitors. Then the number of room nights accommodated in each of the three market segments (commercial, meeting and convention, and leisure) is derived. The number of room nights per room occupied by the three segments also is calculated, and serves as a competitive index.

Illustrated in Table(s) 15 & 17.

2. The amount of demand which cannot be satisfied (unaccommodated demand) is estimated for each market segment. Unaccommodated demand is estimated as a percentage of the accommodated demand for each market segment. The range for unaccommodated demand typically extends from 0% to 30% of accommodated demand. The high end of this range would be appropriate for exceptionally strong markets where near every hotel is experiencing high levels of occupancy; many fill nights, and a large amount of turn away demand. In strong hotel markets 5% to 10% is a reasonable level of unaccommodated demand. Because unaccommodated demand is difficult to quantify, a conservative estimate is usually wise.

It was estimated that there is 5% of unaccomodated demand for the commercial segment in the given market place. This figure is justified due to the high occupancy rates enjoyed by the

[4] *How to Perform an Economic Feasibility Study of a Proposed Hotel/Motel,* Stephen Rushmore, CRE, American Society of Real Estate Counselors, 1986.

competitive hotels Tuesday-Thursday evenings. It was estimated that there is 4% of unaccommodated demand for the meeting and convention segment for the same reason as above. It is one percent lower because the commercial segment dominates a larger share of the overall market demand. Unaccomodated demand for the leisure and extended stay segments were estimated at 3% and 3.5% respectively. See table 18.

3. Growth rates for each market segment are forecast. The rates are used in Table 18.

Growth rates for each of the market segments are depicted in Table 18. These rates were derived from the analysis within the "Market for Transient Accommodations" section of this study.

4. The supply of guestrooms available to the subject property's markets is projected for several years.

Illustrated in Table 18.

5. The overall occupancy is calculated, based upon the total projected room night demand and the supply of the existing and proposed guestrooms.

Future projected occupancy rates were determined as illustrated in Table 18.

6. An analysis of the subject property's competitiveness is made for each segment via indexes.

Both the market share and fair share percentiles were calculated for each hotel. These measures were then used in order to define the penetration factors for each hotel's segments. The fair share is calculated by dividing each hotel's room count by the total number of rooms within the market. The market share is calculated by dividing each hotel's respective room nights per segment by the total rooms available in the market.
The competitive index shows the competitiveness of each property within the market on the basis of a particular market segment. The index represents the number of times each year that one room is occupied by one type of traveler. It is the number of room nights per year, per room, per market segment. The competitive index is calculated by dividing one of the competitive property's accommodated room night demand (one year) for an identified market segment by that property's room count. The subject property's index was estimated at 166 in 2011 and grew to 176 once years 2013 for the commercial segment. It continued at this level throughout stabilization years as is the convention. The index for the meeting segment was set at 30 for year 2011 and increased to 35 in years 2013 through the stabilized years. The index for the leisure segment was 80 for year 2011 and grew to 95 in year 2014. Each of these index estimates are based off a comparison approach to the competitive supply. The supporting analysis can be found in the addenda of this study.

7. Based on how the subject property is expected to interact with existing and proposed competitive lodging facilities, an estimate of the percentage market share captured for each segment is made for the projected years. The number of room nights captured is derived by multiplying the percentage market share by the market demand.

Per Stephen Rushmore's text, market shares were recalculated based on a market share adjuster. To calculate market share and allocate different hotel's segment demand in relation to each other, the room count of each property is multiplied by its respective segment competitive index, yielding a number known as the market share adjuster. This number represents a hypothetical allocation of the area's room nights and assumes that any new property added to the market creates an additional demand equal to its room count multiplied by its competitive index. This intermediate step is meant to calculate each property's new market share by dividing the market share adjuster for one property by the total market share adjuster for all the area's hotels.

This analysis is illustrated in the addenda of the study.

8. The subject property's occupancy for the first years of operation is calculated by estimating the market share captured (by segment) divided by the total available room nights. Market share also is compared to fair share capture.

The calculated occupancy rates are illustrated in Table 20. The market share and fairs comparisons are illustrated in Table 21.

Associated Data

Step 1.
Table 16

HISTORICAL (2006)
Total Rooms:

Map No.	Property	Market Segment	Segment %	Room Nights Occupied Per Year	Room Nights Occupied Per Year Per Room (Competitive Index)
1	Holiday Inn Somerville	Commercial	60%	29,013	158
	Rooms: 184	Meeting	15%	7,253	39
	Occupancy: 72%	Leisure	25%	12,089	66
2	Holiday Inn Select Boston Government Center	Commercial	50%	24,178	80
	Rooms: 303	Meeting	15%	12,442	41
	Occupancy: 75%	Leisure	35%	29,031	96
3	Hyatt Regency Cambridge	Commercial	50%	63,338	135
	Rooms: 469	Meeting	20%	25,335	54
	Occupancy: 74%	Leisure	30%	38,003	81
4	Sonesta Hotel Royal	Commercial	55%	61,028	153
	Rooms: 400	Meeting	15%	16,644	42
	Occupancy: 76%	Leisure	30%	33,288	83
5	Marriot Boston Cambridge	Commercial	65%	77,714	180
	Rooms: 431	Meeting	20%	23,912	55
	Occupancy: 76%	Leisure	15%	17,934	42
6	Holiday Inn Express Hotel & Suites Cambridge	Commercial	65%	19,398	173
	Rooms: 112	Meeting	10%	2,984	27
	Occupancy: 73%	Leisure	15%	4,476	40
7	Hotel @ MIT	Commercial	60%	34,033	162
	Rooms: 210	Meeting	20%	11,344	54
	Occupancy: 74%	Leisure	20%	11,344	54
8	Residence Inn Boston Cambridge	Commercial	25%	17,348	78
	Rooms: 221	Meeting	8%	5,582	25
	Occupancy: 86.5%	Leisure	20%	13,955	63
		Extended Stay	60%	41,865	189
9	Hampton Inn Boston Cambridge	Commercial	65%	20,150	177
	Rooms: 114	Meeting	15%	4,624	41
	Occupancy: 74.5%	Leisure	20%	6,200	54
10	Hotel Marlowe	Commercial	45%	29,072	123
	Rooms: 236	Meeting	10%	6,461	27
	Occupancy: 75%	Leisure	45%	29,072	123
11	Residence Inn Boston Harbor on Tudor Wharf	Commercial	19%	9,088	54
	Rooms: 168	Meeting	10%	4,783	28
	Occupancy: 78%	Leisure	16%	7,653	46
		Extended Stay	55%	26,306	157
12	Liberty Hotel (August 2007 Open Date)			120 Days	
	Rooms: 298	Commercial	45%	2,390	8
	Occupancy: 45%	Meeting	10%	531	2
	HARC: 98	Leisure	45%	2,390	8
				Full Year	
	Rooms: 298	Commercial	45%	38,178	128
	Occupancy: 78%	Meeting	10%	8,484	28
		Leisure	45%	38,178	128

Step 1 Cont.
Table 17

AVAILABLE ROOMS	
2006	2,848
2007	2,946
2008	3,251
2009	3,391
2010	3,631
2011	4,031
2012	4,031
2013	4,031
2014	4,031

ROOM NIGHTS AVAILABLE	
2006	1,039,520
2007	1,075,290
2008	1,186,615
2009	1,237,715
2010	1,325,315
2011	1,471,315
2012	1,471,315
2013	1,471,315
2104	1,471,315

Steps 2-5
Table 18

TOTAL ROOM NIGHT DEMAND

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Commercial Segment									
Growth Rate		5%	2.5%	2%	2%	2%	2%	2%	2%
Accommodated Demand	384,359	403,577	413,666	421,939	430,378	438,986	447,765	456,721	465,855
Unaccommodated Demand	19,218	20,179	20,683	21,097	21,519	21,949	22,388	22,836	23,293
Meeting & Convention Segment									
Growth Rate		3.0%	2%	2%	2%	2%	1.50%	1.50%	1.5%
Accommodated Demand	121,365	125,006	127,506	130,056	132,657	135,310	137,340	139,400	141,491
Unaccommodated Demand	4,855	5,000	5,100	5,202	5,306	5,412	5,494	5,576	5,660
Leisure Segment									
Growth Rate		3%	2%	2%	2%	2%	1.50%	1.50%	1.5%
Accommodated Demand	203,045	209,137	213,320	217,586	221,938	226,376	229,772	233,219	236,717
Unaccommodated Demand	6,091	6,274	6,400	6,528	6,658	6,791	6,893	6,997	7,102
Extended Stay Segment									
Growth Rate		2.50%	2%	2%	2%	2%	1.50%	1.50%	1.5%
Accommodated Demand	68,171	69,876	71,273	72,699	74,153	75,636	77,148	78,691	80,265
Unaccommodated Demand	2,386	2,446	2,495	2,544	2,595	2,647	2,700	2,754	2,809
TOTAL									
Commercial Demand	403,577	423,755	434,349	443,036	451,897	460,935	470,154	479,557	489,148
Meeting & Convention Demand	126,219	130,006	132,606	135,258	137,963	140,723	142,834	144,976	147,151
Leisure Demand	209,137	215,411	219,719	224,114	228,596	233,168	236,665	240,215	243,818
Extended Stay Demand	70,557	72,321	73,768	75,243	76,748	78,283	79,849	81,446	83,074
Total Demand	**809,490**	**841,494**	**860,442**	**877,651**	**895,204**	**913,108**	**929,501**	**946,194**	**963,191**

Step 5
Table 19

Overall Occupancy

Year	Available Rooms	Room Night Demand	Room Nights Available	Occupancy
2006	2,848	809,490	1,039,520	78%
2007	2,946	841,494	1,075,290	78%
2008	3,251	860,442	1,186,615	73%
2009	3,391	877,651	1,237,715	71%
2010	3,631	895,204	1,325,315	68%
2011	4,031	913,108	1,471,315	62%
2012	4,031	929,501	1,471,315	63%
2013	4,031	946,194	1,471,315	64%
2014	4,031	963,191	1,471,315	65%

Step 8
Table 20
(2011 open date is realistic based on a year of permitting and two years of construction)

	PROJECTED OCCUPANCY								
	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total Room Nights Captured						56,351	59,946	64,132	65,287
Available Room Nights						91,250	91,250	91,250	91,250
Occupancy						61.75%	65.69%	70.28%	71.55%
Rounded						**62%**	**66%**	**70%**	**72%**

Table 21

Fair Share				
	2011	2012	2013	2014
Subject's Room Count	250	250	250	250
Total Area Supply	4031	4031	4031	4031
Fair Share	**6.20%**	**6.20%**	**6.20%**	**6.20%**
Market Share vs. Fair Share				
Market Share	6.20%	6.48%	6.75%	6.82%
Fair Share	6.20%	6.20%	6.20%	6.20%
Market Share as a Percentage of Fair Share (Penetration Factor)	**100%**	**104%**	**109%**	**110%**

V. Competitive Analysis

Rival Hotels

The current and anticipated supply of competitive lodging facilities is a fundamental component of the supply and demand relationship which impacts the availability of future lodging demand. The hotels chosen represent the following classes: Upper Upscale, Upscale, Midscale w/F&B, Midscale w/o F&B, and Independent Upper Tier. The current rate structure, historic occupancy levels, market orientation, facilities, and amenities of each competitive hotel were analyzed. The survey below identifies eleven existing hotels offering facilities and amenities that would compete with the proposed subject property. Totaling 3,146 rooms, these hotels represent more than 80% of the area's available lodging units.

Existing competitive hotels, as well as hotels in the pipeline located within the primary market area are identified in the Table 22 below.

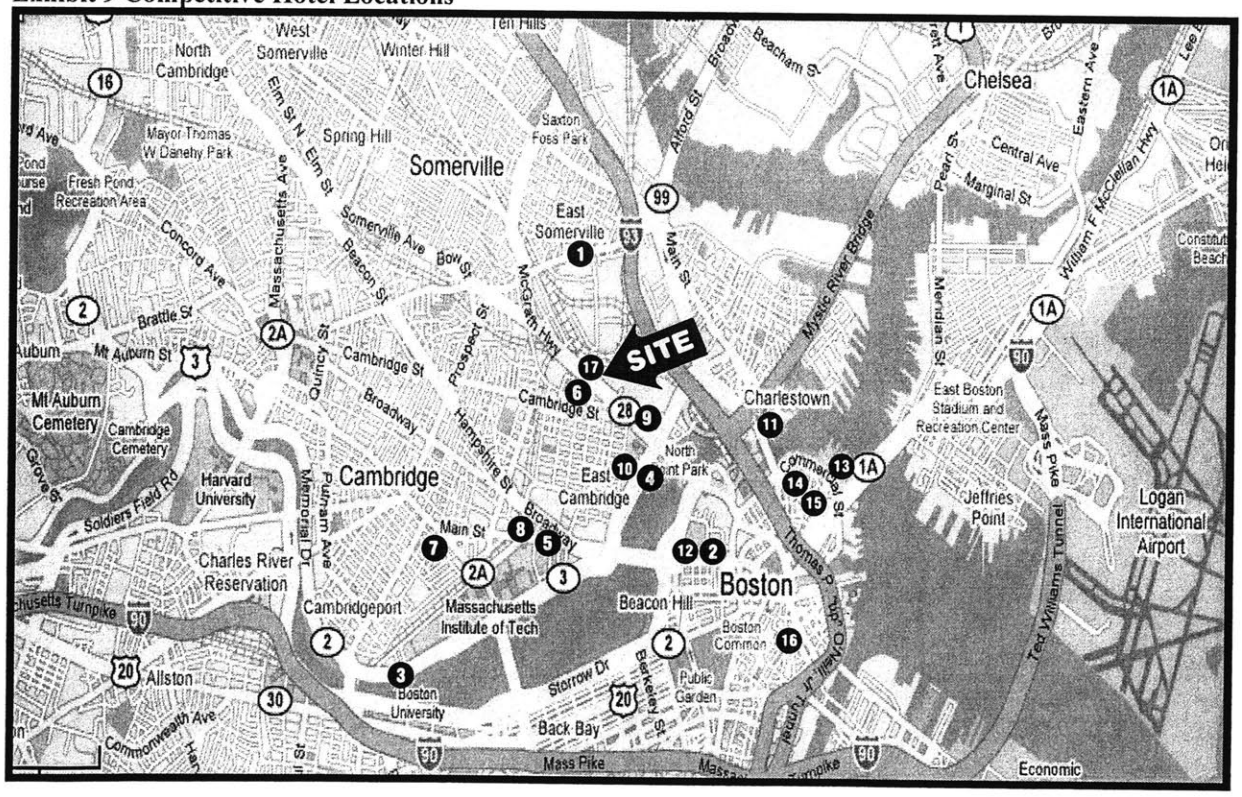
Table 22 Competitive Hotels

COMPETETIVE LODGING FACILITIES								
Map No.	Property	Location	Zip	No.of Rooms	Meeting Space SF	Largest Meeting Space SF	Chain Scale	Open Date
1	Holiday Inn Somerville	Somerville, MA	02143	184	5,000	4,000	Midscale w F&B	Apr-74
2	Holiday Inn Select Boston Government Center	Boston, MA	02114	303	5,500	3,096	Midscale w F&B	Nov-68
3	Hyatt Regency Cambridge	Cambridge, MA	02139	469	24,000	7,100	Upper-Upscale	Jun-76
4	Sonesta Hotel Royal	Cambridge, MA	02142	400	20,000	6,000	Upper-Upscale	Jun-63
5	Marriot Boston Cambridge	Cambridge, MA	02142	431	27,125	9,792	Upper-Upscale	Sep-86
6	Holiday Inn Express Hotel & Suites Cambridge	Cambridge, MA	02141	112	0	0	Midscale w/o F&B	Jul-97
7	Hotel @ MIT	Cambridge, MA	02139	210	7,700	2,418	Upper-Upscale	Aug-98
8	Residence Inn Boston Cambridge	Cambridge, MA	02142	221	2,100	1,029	Upscale	Feb-99
9	Hampton Inn Boston Cambridge	Cambridge, MA	02141	114	900	900	Midscale w/o F&B	Jun-07
10	Hotel Marlowe	Cambridge, MA	02141	236	9,000	3,400	Independent Upper Tier	Mar-07
11	Residence Inn Boston Harbor on Tudor Wharf	Charlestown, MA	02114	168	450	450	Upscale	May-03
12	LibertyHotel (UC)	Boston, MA	02114	298			Upper-Upscale	Aug-07
		Area Totals		3146				
Hotels in the Pipeline 2008-2011								
13	Regent Boston Battery Wharf	Boston, MA	02109	105	Unknow	Unknow	Upscale	Jan-08
14	Court Yard By Marriot	Boston, MA	02114	154	Unknow	Unknow	Upscale	Jun-09
15	Townplace Suites	Boston, MA	02114	126	Unknow	Unknow	Mid w/o F&B	Jun-09
16	Unnnamed Hotel (Downtown Crossing)	Boston, MA	02108	250	Unknow	Unknow	Independent Upper Tier	Aug-10
17	SUBJECT Hotel	Cambridge, MA	02141	250	Unknow	Unknow	Upscale	Jan-11
		Pipeline Totals		885				

Source: Smith Travel Research

These hotels are represented by their associated map number in exhibit 9 depicted below.

Exhibit 9 Competitive Hotel Locations



The local competition indicates a representation of nationally recognized lodging chains controlling a majority of the market. The market demand has a strong commercial base with

several properties profiting from meeting business. Leisure demand is well represented accounting for approximately 26% of the local demand. This segment of the demand compliments the commercial and meeting demand by contributing significantly to the needed weekend occupancy. The additional Extended Stay demand is serviced by the existing Residence Inn in Cambridge and the Residence Inn Boston Harbor on Tudor Wharf.

Table 23 below lists the corresponding demand segmentations for the existing eleven competitive hotels, as well as, their associated estimated occupancy and average room rate.

Average Rate Analysis

The average rate for the proposed subject hotel is based on the current average rates of the local hotel environment. Table 23 below demonstrates quoted room rates of the existing competitive hotels.

Analysis of STR data was also evaluated before forecasting a suitable rate for the proposed subject hotel. The estimated average room rate of $169 was derived from the competitive class of hotels. This average rate is not far off from the rate as quoted per the Smith Travel Research Trend Report data listed in Table 24. The rate was further adjusted to an ADR of $173 after the comparing rates of those hotels that shared the same attributes of the proposed hotel. These rates were given more precedence. Essentially, a 5.5% premium was added to the STR average. This rationale is consistent with the rates possible for a new hotel in a coveted location.

The STR average occupancy rate for the competitive set of hotels in 2006 is 75.8%. This is slightly lower than the occupancy derived from the build up approach used in this study. An occupancy rate of 78% was derived from the analysis for 2006. This discrepancy is due to the additional "unaccommodated demand" or the demand that can't be satisfied that was factored into the projected room night demand equation. The data supplied by STR is in fact an average occupancy rate without any unaccommodated demand factored in.

Table 23

Map No.	Property	Est. Market Segmentation			Extended Stay	Published Rates (Double Occ)	Occ.	Estimated ADR (Double Occ.)
		Corporate	Group	Leisure				
1	Holiday Inn Somerville	60%	15%	25%		$187	72%	$158
2	Holiday Inn Select Boston Government Center	50	15	35		$286	75	$175
3	Hyatt Regency Cambridge	50	20	30		$259	74	$182
4	Sonesta Hotel Royal	55	15	30		$314	76	$185
5	Marriot Boston Cambridge	65	20	15		$299	76	$193
6	Holiday Inn Express Hotel & Suites Cambridge	65	10	15		$225	73	$161
7	Hotel @ MIT	60	20	20		$299	74	$179
8	Residence Inn Boston Cambridge	25	8	20	60%	$299	87	$165
9	Hampton Inn Boston Cambridge	65	15	20		$225	75	$163
10	Hotel Marlowe	45	10	45		$344	75	$180
11	Residence Inn Boston Harbor on Tudor Wharf	19	10	16	55	$299	78	$165
12	Liberty Hotel (rates Pro-Rated per 120 room nights)	45	10	45		$355	39	$125
	AVERAGES	50.3%	14%	26.30%	9.60%		72.8%	$169

Table 24

Occupancy (%)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2001	61.1	66.9	70.0	74.3	73.8	80.9	75.4	75.2	53.6	70.8	60.9	44.6	67.3	69.2
2002	46.4	58.3	61.7	75.8	71.3	78.2	75.8	83.1	73.1	85.9	72.9	49.7	69.5	62.7
2003	47.0	53.8	59.0	64.4	61.3	69.3	70.1	73.0	71.6	81.5	63.7	45.7	63.7	57.4
2004	42.4	52.7	65.4	78.4	77.4	82.1	82.0	78.8	81.1	84.7	69.7	48.7	70.3	63.4
2005	46.6	57.3	64.2	72.6	77.9	86.1	81.9	81.9	88.0	86.6	72.8	53.4	72.4	63.8
2006	52.7	62.3	73.3	83.9	82.8	85.2	88.5	81.6	84.8	86.8	75.6	52.2	75.8	71.1
2007	53.1	65.2	75.8	81.6	77.6									70.7
Avg	49.8	59.5	67.2	76.0	74.7	80.2	79.1	78.9	76.1	83.0	69.4	49.1	70.0	65.5

ADR ($)

	January	February	March	April	May	June	July	August	September	October	November	December	Total Year	May YTD
2001	157.36	152.21	172.17	183.59	188.41	191.68	164.62	161.20	168.40	176.18	149.93	132.54	168.45	171.90
2002	134.34	136.24	140.86	157.97	161.11	167.54	148.47	145.06	156.53	174.39	146.83	127.03	151.73	147.91
2003	124.56	118.27	131.37	136.36	143.36	144.10	131.78	123.91	142.36	159.26	136.23	122.49	136.16	132.17
2004	118.71	118.23	124.72	140.40	145.60	168.03	166.69	139.12	154.52	171.53	145.36	129.03	145.59	131.98
2005	123.38	124.78	139.54	153.31	160.76	165.63	145.81	140.32	166.31	178.11	153.32	130.89	150.75	141.85
2006	129.78	132.60	140.57	168.90	185.22	193.10	175.80	161.51	177.39	197.38	163.65	136.58	166.96	154.94
2007	141.44	144.48	149.63	180.01	195.74									164.84
Avg	133.47	133.00	141.73	160.47	169.21	170.19	156.12	144.92	161.09	176.40	149.67	129.84	153.29	149.84

Source: Smith Travel Research

This data indicates a strong competitive hotel environment. Area occupancy is good for a commercially dominated market. All of the hotels have strong operating levels based on their rate structure, type, and location.

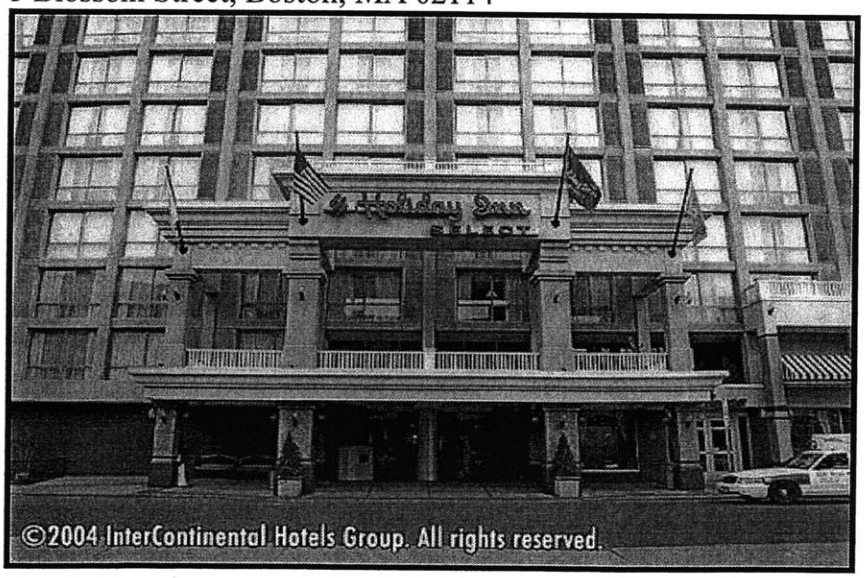
Within Table 24 above, the monthly occupancy pattern reflects a commercial and meeting oriented lodging market complimented by steady leisure demand. Peak months for the commercial and meeting segments are March, April, May, June, and October when business travel is heaviest. The leisure demand is combined with the previous two segments in months June-October. The resultant strong occupancy rates are due to the area's peak tourist travel months. The slack periods of December and January are indicative of the overall hotel industry when commercial travel is lightest. Commercial and meeting travelers traditionally do not utilize these types of lodging during those time frames. The data also portrays a growing overall occupancy rate over the last three years with a slight dip in May 2007 YTD. It's forecasted that year end 2007 occupancy rates will in fact increase slightly over 2006. Ultimately, this gradual increase in both occupancy and ADR ($) indicates positive market demand.

Twelve competitive hotels were inspected and evaluated. The hotels were chosen because they all fall within a three mile radius of the proposed subject. They all share in the demand created by local businesses, tourist attractions, and ease of transportation due to proximity to and from these demand destinations. The first eleven hotels represent the existing stock of hotels. The 12th hotel, The Liberty Hotel is scheduled to open in September of 2007 and therefore included. The market segments, occupancy rate, and ADR have been pro-rated accordingly within the "Market Demand Quantification" section of this feasibility study as part of the "Room Night Analysis". The findings for each hotel are listed below.

Holiday Inn Boston Somerville
30 Washington Street, Somerville, MA 02143

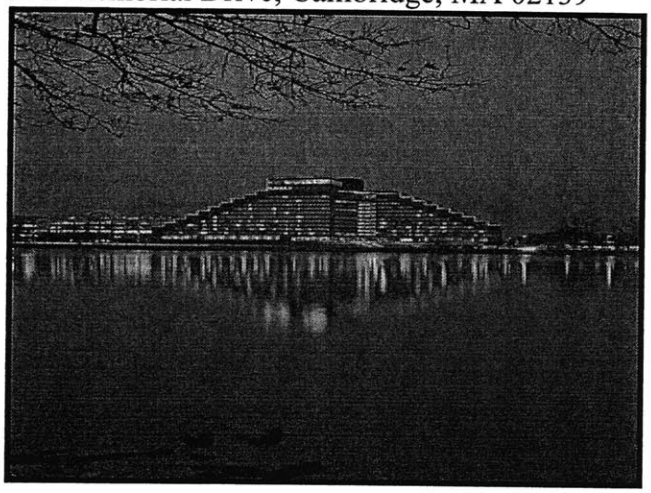
The Holiday Inn Somerville was built in April of 1974 and has 184 keys. The facility is well maintained, but located in an inferior location. Scheduled shuttle service is provided to area mass transit sites Sullivan Sq. & the Museum of Science, as well as Harvard and Kendall Squares. The rooms were last renovated in 2003. Amenities include free high speed wireless internet access, on-site guest laundry facilities, pool, hot tub, fitness room, room service, restaurant and bar (Nantucket Grill adjacent to hotel). Complimentary Parking is on site. The hotel has 10,000 SF of meeting space which can accommodate up 500 people. It's estimated that the overall business is a mix of 50% corporate, 15% group and 35% leisure demand.

Holiday Inn Select Boston Government Center
5 Blossom Street, Boston, MA 02114



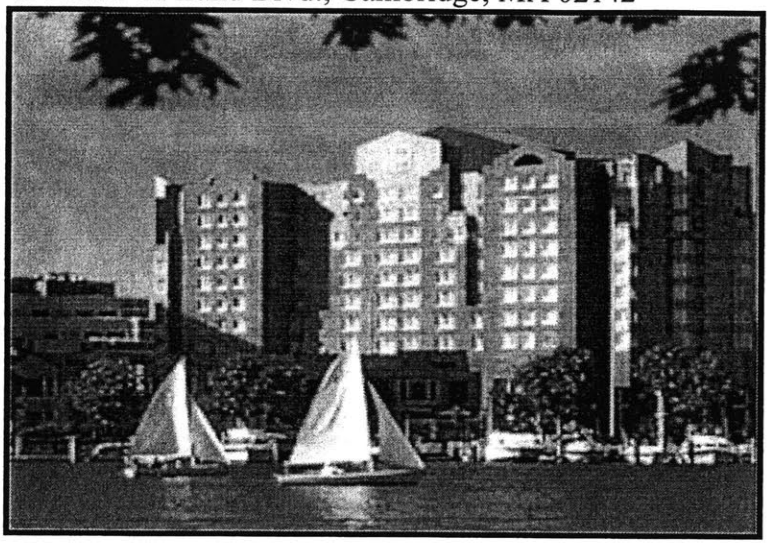
The Holiday Inn Select Boston Government Center was built in November of 1968 and has 303 keys. The facility is well within walking distance of Massachusetts General Hospital and both MBTA redline/green line stations. The rooms and lobby were recently renovated in June 2007. There is an un-staffed business center. Amenities include free high speed wireless internet access, pool, hot tub, 24-hr. fitness center, on-site guest laundry facilities, room service, restaurant and bar on-site. Fee parking is available at the adjacent public garage. The hotel has 5,822 SF of meeting space which can accommodate from 10-420 people. It's estimated that the overall business is a mix of 50% corporate, 15% group and 35% leisure demand.

Hyatt Regency Cambridge
575 Memorial Drive, Cambridge, MA 02139



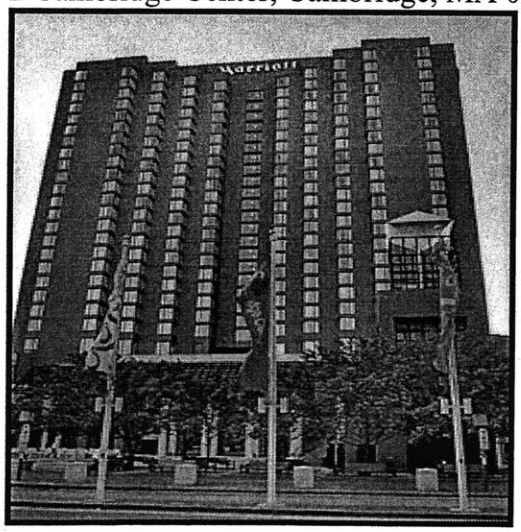
The Hyatt Regency Cambridge was built in June of 1976 and has 469 keys. This full service facility has views of the Charles River and Boston skyline. Free shuttle service attempts to make up for the fact that the hotel is not within walking distance of any major MBTA station. The facility is within walking distance of Massachusetts Institute of Technology. The décor of the rooms and lobby is in good condition, but needs updating in style. There is an un-staffed business center. Amenities include fee high speed wireless internet access, pool, hot tub, 24-hr. fitness center ($402K renovation 04), room service, "Zephyr" restaurant and bar on-site. Fee parking is available in the attached private garage. The hotel has 24,000 SF of meeting space which includes 25 meeting rooms and a 7,008 SF ballroom. It's estimated that the overall business is a mix of 50% corporate, 20% group and 30% leisure demand.

Royal Sonesta Hotel
40 Edwin H. Land Blvd., Cambridge, MA 02142



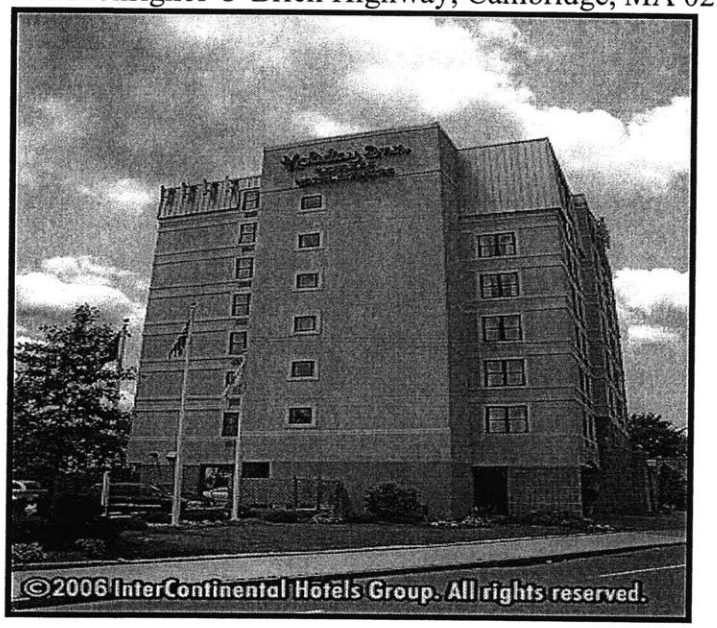
The Royal Sonesta Hotel was built in June of 1963 and has 400 keys. The hotel is in very good condition. The Hotel is well situated, both in its proximity to Kendal Square and downtown Boston. The rooms and lobby were recently renovated in June 2007. There is an un-staffed business center. Amenities include fee high speed wireless internet access, indoor/outdoor pool, hot tub, 24-hr. fitness center, room service, 2 restaurants and lounges on-site (outdoor dining available). Fee parking is available in the adjacent public garage. The hotel has 20,000 SF of meeting space. The largest meeting room is 6,000 SF. The hotel is across the street from the CambridgeSide Galleria mall and a 5-10 minute walk to the MBTA Lechmere station. It's estimated that the overall business is a mix of 55% corporate, 15% group and 30% leisure demand.

Marriot Boston Cambridge
2 Cambridge Center, Cambridge, MA 02142



The Marriot Boston Cambridge was built in September of 1986 and has 431 keys. This full service facility is located in the heart of Kendall Square. The MBTA Kendall Station is located directly across the street. The facility is within walking distance of Massachusetts Institute of Technology, as well as several biotech companies. The décor of the rooms and lobby is in good/fair condition. The hotel is in need of renovating. There is an un-staffed business center. Amenities include fee high speed (wired) internet access, pool, hot tub, 24-hr. fitness center, laundry facilities, room service, 2 restaurants and a lounge on-site. In the main lobby there is also a small gift store and Starbucks coffee. Fee parking is available in the adjacent shared garage. The hotel has 12,000 SF of meeting space which includes 10 meeting rooms. It's estimated that the overall business is a mix of 65% corporate, 20% group and 15% leisure demand.

Holiday Inn Express Hotel & Suites
250 Monsignor O'Brien Highway, Cambridge, MA 02141

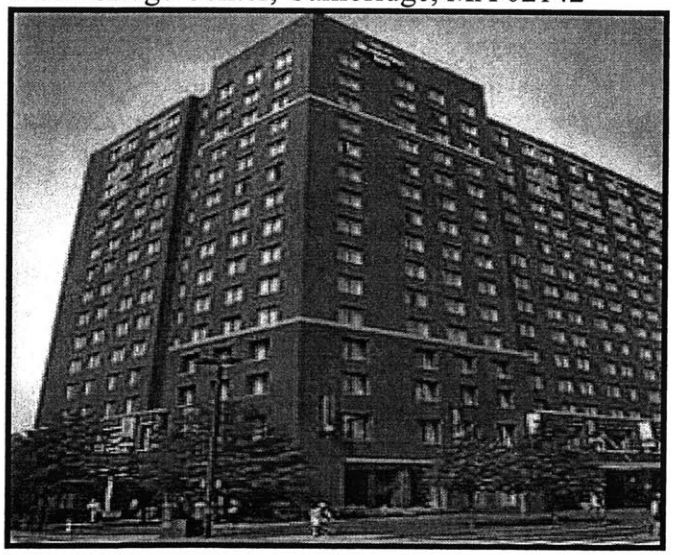


The Holiday Inn Express Hotel & Suites was built in July of 1997 and has 112 keys. The hotel is located within 5 walking minutes to the MBTA Lechmere Station & the Museum of Science. Other local attractions include the Boston Duck Tours and CambridgeSide Galleria Mall. The rooms and lobby were recently renovated in the spring of 2007. Amenities include free high speed wireless internet access, laundry services available, room service, breakfast bar offers complimentary breakfast. Complimentary parking is available, but it's limited to 42 spaces on site. The hotel does not offer any meeting space. It's estimated that the overall business is a mix of 65% corporate, 15% group and 20% leisure demand.

Hotel at MIT
20 Sidney Street, Cambridge, MA 02139

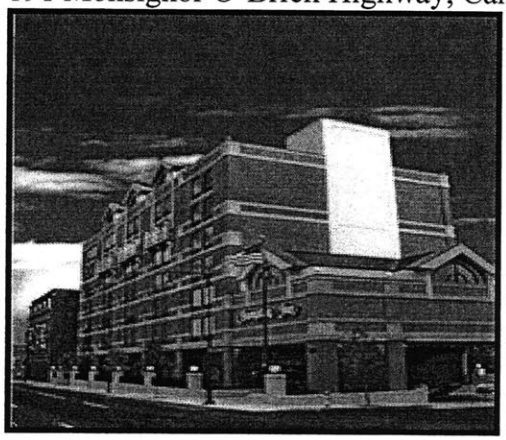
The Hotel at MIT was built in August of 1998 of and has 210 keys. This full service facility is located in the heart of the Massachusetts Institute of Technology campus. The MBTA Kendall Station is located within a ten minute walk. The same distance applies to several biotech companies in Kendall Square. The décor (technology based) of the rooms and lobby is in excellent condition. There is an un-staffed business center. Amenities include free high speed wireless internet access, 24-hr. fitness center, laundry facilities, 24-hr.room service, Sidney's Grill restaurant and a lounge on-site. A private function dining area is also available. Fee parking is available in the adjacent shared garage. The hotel has a 15,500 SF conference center for groups of 10-280 and a ballroom which can accommodate up to 220. There is also an 8,000 SF roof terrace. Management indicated that the hotel's business is a mix of 60% corporate, 20% group and 20% leisure demand.

Residence Inn Boston Cambridge
6 Cambridge Center, Cambridge, MA 02142



The Residence Inn Boston Cambridge was built in February of 1999 and has 221 keys. This extended stay hotel is located in the heart of Kendall Square. The MBTA Kendall Station is a five minute walk away. The facility is within walking distance of Massachusetts Institute of Technology, as well as several biotech companies. The décor of the rooms and lobby is in good condition. There is limited un-staffed business center. All of the suites feature a fully-equipped kitchen. Amenities include free high speed wireless internet access, pool, hot tub, limited fitness center, on-site laundry facilities. Fee parking is available in the adjacent shared garage. The hotel has 2,100 SF of meeting space which includes 3 meeting rooms. The hotel is pet friendly (small fee). It's estimated that the overall business is a mix of 25% corporate, 8% group and 20% leisure, and 60% extended stay demand.

Hampton Inn Boston Cambridge
191 Monsignor O'Brien Highway, Cambridge, MA 02141

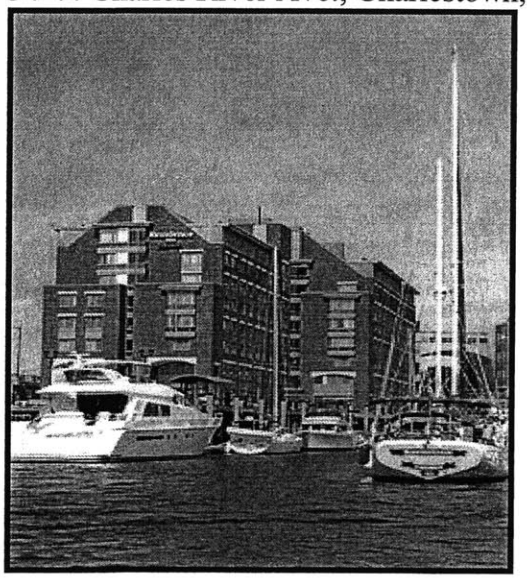


The Hampton Inn Boston Cambridge was built in June 2002 and has 114 keys. The hotel is located within 5 walking minutes to the MBTA Lechmere Station & the Museum of Science. Other local attractions include the Boston Duck Tours and CambridgeSide Galleria Mall. The site is minutes away by taxi or public transportation from downtown Boston and Kendall Square in Cambridge. The rooms and lobby were recently renovated in the spring of 2007. Amenities include free high speed wireless internet access, laundry services available, breakfast bar offers complimentary breakfast. Complimentary self serve parking is available on site. The hotel does not offer any meeting space. It's estimated that the overall business is a mix of 60% corporate, 20% group and 20% leisure demand.

Hotel Marlowe
25 Edwin H Land Blvd., Cambridge, MA 02141

The Marlowe Hotel was built in March of 2003 and has 236 keys. The hotel is in excellent condition. The Hotel is well situated, both in its proximity to Kendal Square and downtown Boston. There is an un-staffed business center. Amenities include free high speed wireless internet access, in-room spa services, 24-hr. fitness center, room service, "Bambara" restaurant and lounge on-site (outdoor dining available). Fee parking is available in the adjacent public garage. The hotel has 9,000 SF of meeting space. The largest meeting room is 3,400 SF which can be configured into eight separate meeting rooms. Parties of 15-350 can be accommodated. The hotel is next to the CambridgeSide Galleria mall and a 5 minute walk to the MBTA Lechmere station. The hotel is pet friendly (small fee).Management indicated that the hotel's business is a mix of 45% corporate, 10% group and 45% leisure demand.

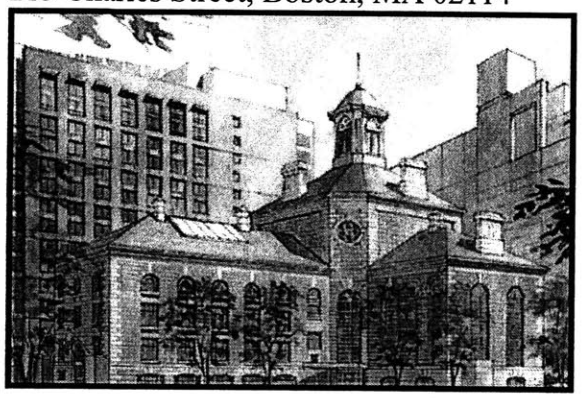
Residence Inn Boston Harbor on Tudor Wharf
34-44 Charles River Ave., Charlestown, MA 02114



The Residence Inn Boston Harbor on Tudor Wharf was built in May of 2003 and has 168 keys. This extended stay hotel is located where mouth of the Charles River meets Boston Harbor. The hotel is within a 5 minute walk of the historic North End and a 15 minute walk of the Financial District and Faneuil Hall Market Place. The décor of the rooms and lobby is in excellent

condition. There is a limited un-staffed business center. All of the suites feature a fully-equipped kitchen. Amenities include free high speed wireless internet access, pool, hot tub, limited fitness center, on-site laundry facilities. The hotel offers a complimentary breakfast bar. There is a café on-site that serves both lunch and dinner. Fee parking is available in the adjacent shared garage. The hotel has 450 SF of meeting space that can accommodate 25 people. The hotel is pet friendly (small fee). It's estimated that the overall business is a mix of 19% corporate, 10% group and 16% leisure, and 55% extended stay demand.

The Liberty Hotel **(August 2007 Opening)**
215 Charles Street, Boston, MA 02114



The Liberty Hotel will open in August of 2007. The original historic Charles Street jail has been renovated and converted to 298 modern rooms. The facility is well within walking distance of Massachusetts General Hospital and both MBTA redline/green line stations. There is an un-staffed business center. Amenities include free high speed wireless internet access, flat screen TVs, 24-hr. fitness center, on-site guest laundry services, room service, (2) restaurants and (2) bars on-site. Fee parking is available at the adjacent public garage. The hotel has 6,000 SF of meeting space which can accommodate up to from 300 people. It's estimated that the overall business will be a mix of 45% corporate, 10% group and 45% leisure demand.

Market Penetration

As previously defined in the "Room Night Analysis" section of this study, the stabilized market share, equal to 110% of the subject property's fair share, indicates a strong competitive position and a positive view of the subject's occupancy potential.

Competitive Analysis in Summary

The competitive environment surrounding the subject property appears appropriate for hotel development. With the an area occupancy rate of 70.7% for the eleven hotels chosen as part of the competitive mix, along with the finding that none of these hotels operate at an occupancy level below 60%, it is concluded that additional hotel rooms can be absorbed into the market. An occupancy rate in excess of 60% typically defines as a better than average hotel market. The hotels that were of higher quality generally achieved the highest occupancy levels and room rates. A majority of the hotels derived approximately half of their occupancy from commercial users. Leisure demand benefited those hotels that were centrally located. The meeting and convention demand appears to be better suited for the larger full service hotels.

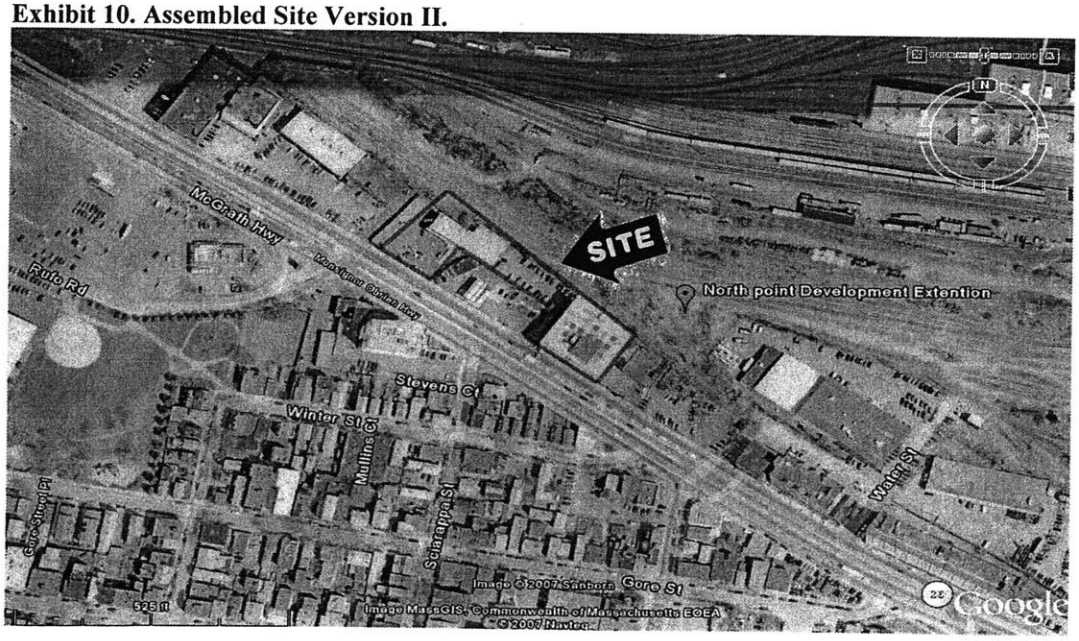
VI. Facilities and Concept Recommendations

Reconfiguration of Assembled Parcels

It is at this juncture in the study that it's most appropriate to revisit the individual parcels which were first identified in the "Site Review" section. After further investigation it was learned that an MBTA easement divides a portion of the original assembled site. The easement currently divides the end parcels located in between 219 and 209 Monsignor O'Brien Highway. Furthermore, the asking price of the parcel located at 221 and 219 is quoted at $3.5M. In comparison to market comparables this land price appeared excessive. Additional project cost analysis validated this notion.

In light of these site challenges, two new scenarios evolved. The first option was to consider the parcel at 225 Monsignor O'Brien Highway by itself. Factors associated with FAR confinements and additional underground parking costs hampered this proposition. The second option was to assemble 225 and its neighboring parcel to the north located at 263 MSOH. Once combined, these two sites will total 52,717 SF. As stated earlier in this study, it will be necessary to seek a zoning variance with regards to the allowable FAR. Currently, an FAR of 1.5 is permitted for the two sites. That equates to approximately 79,076 SF. The proposed development will consist of 158,151 SF with an FAR of 3.0. The likelihood of receiving such a variance is good. A hotel use would not have a severe impact on the surrounding area. Guests check in/out outside of the normal heavy traffic hours. The site is also serviced by public transportation which will further reduce traffic from the site. Parking will be on site. Additionally, the guests to the hotel will further aid the local economy through their spending and room tax revenues received by the City. It was learned through a meeting with Cambridge Community Development staff that the Hotel Marlow received a similar FAR variance when the developed the hotel in 2003. In light of the delays the North Point project is facing, this project should be embraced by the City. For these reasons, it believed that such a variance would be granted. Exhibit 10 which follows depicts the boundaries of the new assembled site.

Exhibit 10. Assembled Site Version II.



The Proposed Program

The nature of the local hotel environment should steer a hotel developer in the direction of a property oriented towards the commercial segment of the market. This area will offer the greatest potential for achieving profitable levels of occupancy and at the minimum, average rates. Not to be overlooked is the leisure segment of this healthy overall hotel market.

According to Rushmore, "A properly designed lodging facility is essential to achieve optimal operating results and profitability. Also important is the design which needs to include many physical and functional considerations in the overall plan to provide cost-value justification. These include number and size of facilities to adequately serve the anticipated market; correct level of quality and style; layout and functionality of space utilization; maximizing guest comfort while minimizing unnecessary employee labor; and effective systems controls."[5]

Following an analysis of the local market, the findings indicate that an upscale/select service "life style" brand hotel would best suit the proposed project site. This commercially/leisure type hotel with 250 guestrooms and related amenities represents an optimal lodging property. The criteria for the proposed hotel are based on a plan of a similar lifestyle brand hotel. The criteria defines the hotel by specifying the size of rooms, how many, the size of the lobby...The criteria for the recommended facility may be found in the program below in Table 25.

Overall Concept

The proposed hotel should follow the concept of a "life style" brand hotel. These brands were designed to cater to the lifestyle preferences of the various transient segments. The brands first emerged if 2005. The trend, which began in the 1990's in the full-service upper-upscale and luxury divisions, has made its way down to the upscale and limited service midscale arenas. The brands provide style and comfort at a more affordable price.

According to Ernst and Young's 2006 *Real Estate, Hospitality, and Construction Report,* "These new brands have moved away from the approach taken by the traditional lodging "mega-brands" and instead aim to transcend the product-centered customer relationship to develop an emotional and long-term bond with travelers. The new lodging "lifestyle brand" takes a similar approach to that adopted by successful retail brands, focusing not only on guests' basic product needs and preferences, but also on creating a unique lodging experience that ties into guests' way of life, self-image, and interests, and delivers self expressive benefits. These new lifestyle brands resonate with people who expect to live increasingly stylish lives and are less interested in settling for the old-fashioned cookie-cutter lodging product." In summary, these consumers are looking for a hotel product that resembles the look, feel, and comforts of their own homes.

A particular brand that appears to fit the demographics of the site well is InterContinental Hotels Group's Hotel Indigo. This brand first opened in November of 2005. There are currently thirteen of these hotels existing in the following cities: Atlanta, Boston, buffalo, (2) Chicago, Columbus, Dallas, Houston, Indianapolis, Nashville, Ottawa, Sarasota, and Scottsdale. Hotel Indigo was designed "to address the desires of self-conscious guests who are seeking experience

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[5] *How to Perform an Economic Feasibility Study of a Proposed Hotel/Motel,* Stephen Rushmore, CRE, American Society of Real Estate Counselors, 1986.

and quality over pure functionality when traveling. It targets aspiring consumers who are seeking to "trade up" to a more stylish lodging product, while still seeking value".[6]

While there are other lifestyle brands to choose from, which include Starwood Hotels & Resort's new "Aloft", the amenities incorporated into the Indigo concept appear best suited to the subject property. The immediate area is still in its infancy with regards to complimenting surrounding restaurants. Indigo's innovative dining category known as fast casual will overcome this short coming. The type and style of food service provided by Indigo's brand is an amenity that suits the subject property well. Hotel Indigo's gourmet, fast casual concept allows guests to take control of the dining experience. The labor-lean service model-servicing primarily the breakfast and dinner day parts focuses on presentation and not preparation. These food services will also serve as a revenue source as evident in the "Forecast of Income and Expense" section of this study. Starwood's Aloft brand's food service appears to be somewhat limited/inadequate for the project site.

Facilities in Summary

The branding behind Indigo and other similar brands is well adapted to meet the needs of travelers to the Cambridge area. This particular hotel will focus on both the commercial and leisure segments of the market. Due to the size restrictions of the proposed site there will be limited, but sufficient meeting space available, a trade off to incorporate more rooms.

The trend of the lifestyle brand appears to gaining momentum. It's believed that transient clientele will seek out these types of lodging facilities during the upcoming years. During the planning and design stages of a hotel development, guest comfort and satisfaction are vital. These considerations must also be based on economic feasibility. It's believed that the facility program shown below in Table 25, backed by the branding of a lifestyle hotel meets these two omni important objectives.

[6] Ernst and Young, *Real Estate, Hospitality, and Construction Report,* 2006.

Table 25

Number of Keys 250
Criteria-Facilities Program

	Design Type: Mid-Rise		Program		
	Number of Floors	10	Rooms	Unit Area	Total (SF)
GUESTROOMS					
	Queen/Queen	28%	70	357	24990
	King	59%	148	318	46905
	Suite	3%	8	538	4035
	Accessible King	4%	10	357	3570
	Accessible Queen/Queen	1%	3	413	1033
	Extended Queen/Queen	5%	13	413	5163
TOTAL GUESTROOMS			**250**		85695
CIRCULATION AREA					
	Elevators		6	148	888
	Circulation				10075
	Stairs		12	170	2040
TOTAL CIRCULATION AREA					13003
PUBLIC AREAS					
	Lobby Vestibule				87
	Lobby				931
	Restaurant/Buffet/Lounge/Business Library				3810
	Meeting Room w/Closets				1267
	Board Room w/Closet		2		632
	Exercise Room				353
	Guest Laundry				73
	Restrooms				309
	Pool/Spa w/toilet				1890
	Vending Rooms				365
TOTAL PUBLIC AREAS					9717
SUPPORT AREAS					
	Food Preparation/Storage				758
	Employee Break Room/Restroom				594
	Laundry Room				546
	Elevator Equipment Room				190
	Pool Storage Room				90
	Pool Equipment Room				163
	Storage/Meeting Room Prep				1779
	Mechanical/Electrical/Telephone				1025
	Eng. Maintenance Office				100
	Groundskeeping Office				167
	Housekeeping Office				97
	Linen Storage/Linen Chute Rooms				134
TOTAL SUPPORT AREAS					5643
ADMINISTRATIVE AREA					
	Front Desk				200
	Work Room w/closet				382
	Valet Office				77
	Training				50
	Luggage Storage/Cart Storage				71
	Offices				352
TOTAL ADMINISTRATIVE AREA					1132

	Design Type: Mid-Rise		Program	
	Number of Floors	10	Unit Area	Total (SF)
PROGRAM AREA SUMMARY				
	Total Guestroom		NSF	85695
	Total Circulation		NSF	13003
	Total Public Areas		NSF	9717
	Total Support Areas		NSF	5643
	Total Administrative Areas		NSF	1132
	TOTAL NET BUILDING AREA			115190
	Walls & Shafts/Total Estimated			11173
TOTAL GROSS BUILDING AREA				**126363**
	Parking Structure			31875
TOTAL GROSS BUILDING AREA W/PARKING				**158238**
Total SF per Room (parking GSF not included)				505

Developed Site Summary (approximate values)				
Building Coverage	65%			34266
Parking and Paving	30%			15815
Net Landscaped Area	5%			2636
TOTAL DEVELOPED SITE AREA		Acres	1.21	52717

VII. Forecast of Income and Expense

After a thorough review of the market for transient accommodations in the Cambridge area, along with the subject property's anticipated position in that market, a forecast of income and expense was developed.

The forecast begins in 2011, the year the proposed hotel is scheduled to open. Operating results for the subject are carried through 2021. Stabilization was reached in 2014, four years after the hotel's inception. The forecast is expressed in current inflated dollars. According to the Bureau of Labor Statistics the Consumer Price Index –Urban (CPI-U) for urban areas increased at a compound rate annual growth rate of 2.54% between December 1995 and December 2006. To portray price level changes, a conservative inflationary rate of 3% was utilized throughout the projection. Projected occupancies are derived from the "Room Night Analysis" section of this study.

Extensive use of the Smith Travel Research HOST Report was utilized in culminating relevant income and expenses for the categories listed below.

The following information explains the grounds behind each category and their respective Ratio to Sales. The following revenues and expense categories are standard within the hotel business. These categories were derived from the STR Host Report.

Departmental Revenues

Room Revenues

Room revenue is dependent on two factors, occupancy and average daily room rate (ADR). In the "Room Night Analysis" and "Competitive Analysis" sections, estimates were made for each competitive hotel concerning growth of room's revenue based on occupancy and ADR growth projections. The occupancies were estimated to range from 62% to 72% over the projection period (and average 68%), (these estimates are gathered through field research as is the convention) while the ADR was estimated to grow at the assumed inflation estimate of 3.0% per year. For the stabilized year, an occupancy of 72% is achieved and an average daily rate of approximately $213 in base year value dollars. A summary of occupancy (Table 26), ADR and rooms revenue projections follow.

Table 26

Year	Occupancy	ADR	Rooms Revenue
2011	62%	$194.71	4,121,668.95
2012	66%	$200.55	4,781,072.28
2013	70%	$206.57	5,418,846.48
2014	72%	$212.76	5,896,924.42
2015	72%	$219.15	6,084,343.01
2016	72%	$225.72	6,277,550.03
2017	72%	$232.49	6,476,721.77
2018	72%	$239.47	6,682,039.88
2019	72%	$254.05	6,893,691.48
2020	72%	$261.67	7,111,869.35

Food

The subject will generate revenue from food service which incorporates breakfast and dinner venues as is consistent with the type of facility recommended. The double occupancy numbers below represent the number of people who stay in a double occupancy room based on that specific market segment. These are industry accepted averages used to gain a better understanding of how many visitors are actually utilizing each double occupancy room. Revenues were based upon the calculations of Tables 27-29 seen below. Table 28 revenues are incorporated into the Forecast of Income and Expenses as they are all ready based upon inflated dollars.

Table 27

Double Occupancy Average

Market Segment	Forecasted Market Mix		Double Occupancy	Weighted Average
Commercial	55%	x	1.2	0.660
Meetings	15%	x	1.5	0.225
Leisure	30%	x	2.1	0.630
				1.515

Table 28

House Count

Year	Percentage of Occupancy		Number of Rooms		Days Per Year		Double Occupancy		House Count
2011	62%	x	250	x	365	x	1.5	=	84,863
2012	66%	x	250	x	365	x	1.5	=	90,338
2013	70%	x	250	x	365	x	1.5	=	95,813
Stabilized	72%	x	250	x	365	x	1.5	=	98,550

Table 29

Food Service Revenues

Year	Meal Period	Percentage Capture of Hotel Guests		House Count		In-House Café Covers	Average Check		
2011	Breakfast	60%	x	84,863	=	50,918	$8.44	=	$429,810.71
	Dinner	15%	x	84,863	=	12,729	$15.15	=	$192,846.51
								Total	$622,657.22
2012	Breakfast	60%	x	90,338	=	54,203	$8.69	=	$471,266.65
	Dinner	15%	x	90,338	=	13,551	$16.06	=	$217,605.52
								Total	$688,872.16
2013	Breakfast	60%	x	95,813	=	57,488	$8.96	=	$514,823.11
	Dinner	15%	x	95,813	=	14,372	$17.02	=	$244,641.35
								Total	$759,464.46
Stabilized	Breakfast	60%	x	98,550	=	59,130	$9.22	=	$545,418.31
	Dinner	15%	x	98,550	=	14,783	$18.04	=	$266,728.97

Beverage

Beverage revenue was based off a 45% of food revenues. The subject is expected serve alcoholic and non-alcoholic beverages in the cafe and lounge areas. This equates to 2.4% of total revenues. According to STR HOST report this below the national average of full service hotels listed at 5.1%. This is appropriate due to the nature and size of the facility recommended. Very little outside patronage is expected.

Telephone
These revenues are generated through guest use of telephones in the hotel including local and long distance calls, services charges, facsimile services, and commissions received from pay stations. Telephone revenue equates to .11% of Total Revenues. This is slightly lower than the .7% recommended by the STR HOST report, but appropriate based on conversations with local industry professionals.

Rental and Other Income
Revenues in this category are derived from the sales of sundry items, laundry, vending machine commissions, and other guest charges. It accounts for approximately 2% of Total Revenues which is consistent with similar lodging facilities listed in the STR Host Report.

Departmental Expense

Rooms
These expenses include those associated with the operation of the hotel's rooms department including the front office and housekeeping payroll, discounts, refunds, cable television expenses, laundry and cleaning supplies. Rooms Expense accounts for 22.3% of Room Revenue, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Food and Beverage
Expenses consist of items associated with the operation of a hotel's food and beverage facilities. Sales and payroll comprise a substantial portion. China, glassware, and linen, operating supplies, and uniforms also contribute to the costs incurred. This expense account's for 73.7% of both Food and Beverage revenues, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Telephone
The telephone expense accounts for 106.8% of telephone revenue. The figure drops down to 100% in 2013-2020. Telephone expenses typically outweigh revenues for smaller hotels. In order to remain competitive more hotels are providing internet connections and local call free services. A breakeven point in-between revenues and costs is a realistic best case scenario.

Other Expense
These expenses relate to costs of supplies, and maintenance of laundry equipment. This expense account's for 66.2% of both Rental and Other Income, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Undistributed Operating Expense

Administrative and General
These expenses include the salaries and wages of all of the administrative personnel not directly associated with a particular department. Miscellaneous items related to the operation and management of the facility are also included here. This expense account's for 7.7% of Total Revenues, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Management Fee
Typical hotel management fees are between 2.0%-4%. Top quality management services will be required for the proposed facility. Therefore, the higher end of this scale is appropriate to budget. The management fee equates to 4% of total revenues.

Marketing
Marketing expenses are controlled by management based. An annual marketing budget is made which plans for all planned expenditures. This expense account's for 4.3% of Total Revenues, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Franchise Fees
The franchise fee consists of a Royalty fee, Reservation fee, and Other miscellaneous fees. The Royalty fee represents compensation for the use of the chain's trade name service marks, and associated logos. The Reservation fee supports the cost of operating and paying for the central office, telephones, computers, and reservation personnel. Other miscellaneous fees include the cost of training programs, travel agent commissions, and global distribution system fees. This expense account's for 8% of Total Revenues, a figure which appears consistent with other lifestyle brand hotels.

Property Operations and Maintenance
Management controls this category. This expense includes payroll for the engineering staff, routine preventative maintenance costs and repairs. This expense account's for 3%, a figure slightly lower than the national average published by the STR Host Report. This expense increases each year in order to keep up with the aging property. The initial lower expense is justified due to the new condition of the facility and the warranties in place.

Energy
This expense consists of water, electricity, gas, and trash collection costs related to operating the facility. The subject is expected to have energy conservation programs in place which should control this expense. This expense account's for 4.0% of Total Revenues, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

Fixed Expenses

Real Estate Taxes
The cost approach was taken in order to determine the real estate tax for 2011. According to the Cambridge Assessors Office an approximate valuation is made based off of 60% of the developments cost which is then applied to the mill rate of $18.60 for every $1,000 in value. This practice equates to 4.8% of Total Revenues, a figure which is slightly higher (about .8%) than similar lodging facilities listed in the STR Host Report.

Rent and Leases
The Rent and Leases expense is associated with costs incurred to rent equipment that serve the hotel's daily operations. Such capital leases are typically for data processing equipment, telephone equipment, and other major items. This expense account's for 1.3% of Total Revenues, a figure which is consistent with other lifestyle brand hotels.

Insurance

This expense includes the cost of insuring the building and its contents against damage or destruction from fire, weather, sprinkler leaks, etc. This expense account's for 1.3% of Total Revenues, a figure which is consistent with similar lodging facilities listed in the STR Host Report.

FF&E Reserve

This category serves as reserve for the replacement of furnishings, fixtures, and equipment (FF&E). This reserve will enable the hotel to replace worn out FF&E on an as needed basis. By doing so, the hotel will remain competitive in the market place. This expense typically equates to 2% of Total revenues. This convention has been replicated for the subject property.

Cash Flows Projection

Found below in Table 30 is the 11- year cash flow projection. The cash flow projections have been made based upon the facility recommendations preceding room night analysis. These projections are presented on a calendar year basis beginning January 1 and ending December 31.

Table 30
Proposed Hotel: 225-263 Monsignor O'Brien Highway
Cambridge, Massachusetts
(Expressed in Inflated Current Dollars)

	2011		2012		2013		2014		2015	
Number of Rooms	250	Ratio	250	Ratio	250	Ratio	250	Ratio	250	Ratio
Occupancy	62%	to	66%	to	70%	to	72%	to	72%	to
Average	$194.71	Revenue	$200.55	Revenue	$206.57	Revenue	$212.76	Revenue	$219.15	Revenue
REVENUE										
Rooms	$10,744,097.80	90.38%	$11,780,383.36	90.43%	$12,869,176.37	90.46%	$13,633,973.14	90.44%	$14,042,992.33	90.44%
Food	622,657.22	5.24%	688,872.16	5.29%	759,464.46	5.34%	812,147.28	5.39%	836,511.70	5.39%
Beverage	280,195.75	2.36%	309,992.47	2.38%	341,759.01	2.40%	365,466.28	2.42%	376,430.27	2.42%
Telephone	13,472.00	0.11%	13,876.16	0.11%	14,292.44	0.10%	14,721.22	0.10%	15,162.85	0.10%
Rental & Other Income	227,705.00	1.92%	234,536.15	1.80%	241,572.23	1.70%	248,819.40	1.65%	256,283.98	1.65%
Total	11,888,127.77	100.0%	13,027,660.31	100.0%	14,226,264.52	100.00%	$15,075,127.32	100.0%	$15,527,381.14	100.0%
DEPARTMENTAL COSTS AND EXPENSES										
Rooms	2,395,933.81	22.3%	2,403,198.21	20.4%	2,509,489.39	19.5%	2,590,454.90	19.0%	2,668,168.54	19.0%
Food & Beverage	665,402.64	73.7%	723,178.00	72.4%	795,083.35	72.2%	836,105.63	71.0%	861,188.80	71.0%
Telephone	14,388.10	106.8%	14,375.70	103.6%	14,292.44	100.0%	14,721.22	100.0%	15,162.85	100.0%
Other Expense	150,740.71	66.2%	155,262.93	66.2%	157,263.52	65.1%	160,488.51	64.5%	165,303.17	64.5%
Total	3,075,724.55	25.9%	3,140,751.90	24.1%	3,318,865.18	23.3%	3,441,281.74	22.8%	3,544,520.20	22.8%
GROSS OPERATING INCOME	8,812,403.23	74.1%	9,886,908.40	75.9%	10,907,399.34	76.7%	11,633,845.58	77.2%	11,982,860.94	77.2%
UNDISTRIBUTED OPERATING EXPENSES										
Administrative & General	915,385.84	7.7%	964,046.86	7.4%	1,010,064.78	7.1%	1,025,108.66	6.8%	1,055,861.92	6.8%
Management Fee	475,525.11	4.0%	521,106.41	4.0%	569,050.58	4.0%	603,005.09	4.0%	621,095.25	4.0%
Marketing	511,189.49	4.3%	534,134.07	4.1%	540,598.05	3.8%	527,629.46	3.5%	543,458.34	3.5%
Franchise Fees	951,050.22	8.0%	1,042,212.82	8.0%	1,138,101.16	8.0%	1,206,010.19	8.0%	1,242,190.49	8.0%
Property Operations & Maintenance	356,643.83	3.0%	455,968.11	3.5%	526,371.79	3.7%	572,854.84	3.8%	590,040.48	3.8%
Energy	475,525.11	4.0%	547,161.73	4.2%	625,955.64	4.4%	693,455.86	4.6%	714,259.53	4.6%
Total	3,685,319.61	31.0%	4,064,630.02	31.2%	4,410,142.00	31.0%	4,628,064.09	30.7%	4,766,906.01	30.7%
HOUSE PROFIT (GOP)	5,127,083.62	43.1%	5,822,278.39	44.7%	6,497,257.34	45.7%	7,005,781.49	46.5%	7,215,954.93	46.5%
FIXED EXPENSES										
Real Estate Taxes	565,553.94	4.8%	574,037.25	4.4%	582,647.80	4.1%	591,387.52	3.9%	600,258.33	3.9%
Rent & Leases	47,552.51	0.4%	48,979.09	0.4%	50,448.46	0.4%	51,961.91	0.3%	53,520.77	0.3%
Insurance	154,545.66	1.3%	157,636.57	1.2%	160,789.31	1.1%	164,005.09	1.1%	167,285.19	1.1%
FF&E Reserve	237,762.56	2.0%	260,553.21	2.0%	284,525.29	2.0%	301,502.55	2.0%	310,547.62	2.0%
Total	1,005,414.66	8.5%	1,041,206.11	8.0%	1,078,410.86	7.6%	1,108,857.07	7.4%	1,131,611.92	7.3%
Net Operating Income	4,121,668.95	34.7%	4,781,072.28	36.7%	5,418,846.48	38.1%	5,896,924.42	39.1%	6,084,343.01	39.2%

Table 30 Continued

	2016		2017		2018		2019		2020		2021	
Number of Rooms	250	Ratio	250	Ratio	250	Ratio	250	Ratio	250	Ratio	250	Ratio
Occupancy	72%	to	72%	to	72%	to	72%	to	72%	to	72%	to
Average	$225.72	Revenue	$232.49	Revenue	$239.47	Revenue	$246.65	Revenue	$254.05	Revenue	$261.67	Revenue
REVENUE												
Rooms	$14,464,282.10	90.44%	$14,898,210.56	90.44%	$15,345,156.88	90.44%	$15,805,511.59	90.44%	$16,279,676.93	90.44%	$16,768,067.24	90.44%
Food	861,607.05	5.39%	887,455.27	5.39%	914,078.92	5.39%	941,501.29	5.39%	969,746.33	5.39%	998,838.72	5.39%
Beverage	387,723.17	2.42%	399,354.87	2.42%	411,335.52	2.42%	423,675.58	2.42%	436,385.85	2.42%	449,477.42	2.42%
Telephone	15,617.74	0.10%	16,086.27	0.10%	16,568.86	0.10%	17,065.93	0.10%	17,577.90	0.10%	18,105.24	0.10%
Rental & Other Income	263,972.50	1.65%	271,891.68	1.65%	280,048.43	1.65%	288,449.88	1.65%	297,103.38	1.65%	306,016.48	1.65%
Total	$15,993,202.57	100.00%	$16,472,998.65	100.00%	$16,967,188.61	100.00%	$17,476,204.27	100.00%	$18,000,490.40	100.00%	$18,540,505.11	100.00%
DEPARTMENTAL COSTS AND EXPENSES												
Rooms	2,748,213.60	19.0%	2,830,660.01	19.0%	2,915,579.81	19.0%	3,003,047.20	19.0%	3,093,138.62	19.0%	3,185,932.78	19.0%
Food & Beverage	887,024.46	71.0%	913,635.20	71.0%	941,044.25	71.0%	969,275.58	71.0%	998,353.85	71.0%	1,028,304.46	71.0%
Telephone	15,617.74	100.0%	16,086.27	100.0%	16,568.86	100.0%	17,065.93	100.0%	17,577.90	100.0%	18,105.24	100.0%
Other Expense	170,262.26	64.5%	175,370.13	64.5%	180,631.24	64.5%	186,050.17	64.5%	191,631.68	64.5%	197,380.63	64.5%
Total	3,650,855.80	22.8%	3,760,381.48	22.8%	3,873,192.92	22.8%	3,989,388.71	22.8%	4,109,070.37	22.8%	4,232,342.48	22.8%
GROSS OPERATING INCOME	12,342,346.77	77.2%	12,712,617.17	77.2%	13,093,995.69	77.2%	13,486,815.56	77.2%	13,891,420.03	77.2%	14,308,162.63	77.2%
UNDISTRIBUTED OPERATING EXPENSES												
Administrative & General	1,087,537.77	6.8%	1,120,163.91	6.8%	1,153,768.83	6.8%	1,188,381.89	6.8%	1,224,033.35	6.8%	1,260,754.35	6.8%
Management Fee	639,728.10	4.0%	658,919.95	4.0%	678,687.54	4.0%	699,048.17	4.0%	720,019.62	4.0%	741,620.20	4.0%
Marketing	559,762.09	3.5%	576,554.95	3.5%	593,851.60	3.5%	611,667.15	3.5%	630,017.16	3.5%	648,917.68	3.5%
Franchise Fees	1,279,456.21	8.0%	1,317,839.89	8.0%	1,357,375.09	8.0%	1,398,096.34	8.0%	1,440,039.23	8.0%	1,483,240.41	8.0%
Property Operations & Maintenance	607,741.70	3.8%	625,973.95	3.8%	644,753.17	3.8%	664,095.76	3.8%	684,018.64	3.8%	704,539.19	3.8%
Energy	735,687.32	4.6%	757,757.94	4.6%	780,490.68	4.6%	803,905.40	4.6%	828,022.56	4.6%	852,863.23	4.6%
Total	4,909,913.19	30.7%	5,057,210.59	30.7%	5,208,926.90	30.7%	5,365,194.71	30.7%	5,526,150.55	30.7%	5,691,935.07	30.7%
HOUSE PROFIT (GOP)	7,432,433.58	46.5%	7,655,406.59	46.5%	7,885,068.79	46.5%	8,121,620.85	46.5%	8,365,269.48	46.5%	8,616,227.56	46.5%
FIXED EXPENSES												
Real Estate Taxes	609,262.21	3.8%	618,401.14	3.8%	627,677.16	3.7%	637,092.32	3.6%	646,648.70	3.6%	656,348.43	3.5%
Rent & Leases	55,126.39	0.3%	56,780.19	0.3%	58,483.59	0.3%	60,238.10	0.3%	62,045.24	0.3%	63,906.60	0.3%
Insurance	170,630.90	1.1%	174,043.52	1.1%	177,524.39	1.0%	181,074.87	1.0%	184,696.37	1.0%	188,390.30	1.0%
FF&E Reserve	319,864.05	2.0%	329,459.97	2.0%	339,343.77	2.0%	349,524.09	2.0%	360,009.81	2.0%	370,810.10	2.0%
Total	1,154,883.55	7.2%	1,178,684.82	7.2%	1,203,028.91	7.1%	1,227,929.37	7.0%	1,253,400.12	7.0%	1,279,455.43	6.9%
Net Operating Income	6,277,550.03	39.3%	6,476,721.77	39.3%	6,682,039.88	39.4%	6,893,691.48	39.4%	7,111,869.35	39.5%	7,336,772.13	39.6%

VIII. Economic Value Estimate

The economic value estimate is calculated through a Discounted Cash Flow Analysis. This approach takes a property's forecasted net income before debt service (years 2011-2020) and allocates future benefits to the mortgage and equity components based on market rates of return and loan to value ratios. Through a discounted cash flow and capitalization procedure, the value of each component is calculated. The total mortgage component plus the equity component equals the economic value of the property.

Standard Practice

Institutional investors often purchase hotels based on an unleveraged basis or without any debt. An over all discount rate is applied to the 10-year forecast of net income before debt service. The cash flows are discounted and then the discounted value of the property is added at the end of year 10. The residual of the property is derived by capitalizing the net income in year 11 at the terminal capitalization rate.

A problem of this practice is that "the 10-year forecast using a discount rate does not consider the impact of mortgage debt, leverage, and the specific equity demands of most hotel investors"[7]. Additionally, it requires a subjective estimate of the entire discount rate, not just the equity portion. Due to the fact that few hotel investors purchase hotels on an unleveraged basis, documented support for the discount rate is sometimes unavailable or inconclusive. With regards to this study, it's expected that the proposed hotel will be undertaken on a leveraged basis. For this reason, the following 10-year forecast based upon a debt coverage ratio was utilized. An explanation of this method follows.

[7] *Hotels and Motels: Valuations and Market Studies,* Stephen Rushmore, MAI, Erich Baum, American Institute of Real Estate Appraisers, 2001.

10-Year Forecast using a Debt Coverage Ratio
The following explanation of this forecasting method was derived from co-authors, Stephen Rushmore and Eric Baum's, "Hotels and Motels, Valuations and Market Studies". Each instruction piece is followed with an example based on relevant analysis specific to the subject property. Definition and context of the terms used for this valuation exercise defined below.

Inputs Used

The first projection year is 2011. Stabilization is reached in year 4 (2014).

Equity Yield
The equity yield is 12.4%. The equity yield represents the rate of return that an equity investor expects over a 10-year holding period (the long-term return). Contrary to the equity dividend, the short term rate of return, the equity yield specifically considers a long term holding period, annual cash flows impacted by inflation, property appreciation, mortgage amortization, and proceeds of reversion. The equity yield of 12.4% is the average rates released in the Korpacz Survey of Real Estate Investors First Quarter, 2007 report for hotels of the type recommended in this study.

Mortgage
The permanent loan has an interest rate of 7%. The loan amortizes over 25 years with (12) twelve payments per year. The Loan to Value ratio is 75. These terms represent those of a hotel development in today's market per a representative of Wells Fargo's Lending Division. These mortgage terms indicate that lenders feel adequately protected from a reoccurrence of delinquency and default risk experienced in the early 2000's.

Yearly Mortgage Constant
Mortgage constant, also called "mortgage capitalization rate" is the capitalization rate for debt. It is usually computed monthly by dividing the monthly payment by the mortgage principal. An annualized mortgage constant can be found by multiplying the monthly constant by 12, or dividing the annual debt service by the mortgage principal.

A mortgage constant is a rate that appraisers determine for use in the band of investment approach. It is also used in conjunction with the debt-coverage ratio that many commercial bankers use.

In the case of this study, the annualized mortgage constant was computed to be 0.084813504.

Terminal Capitalization
The terminal capitalization rate or "going-out" cap rate is 10.5%. This represents a mean-reverting performance. According to hotel specific RERC survey data the average going in cap from 1992-1 through 2005-1 equals 10.8%-so 10% is still an aggressive estimate for the long-run rate. PKF Consulting reports, "First, transaction costs usually prohibit earning short-term profits from trading hotel assets so holding periods will be long term - at least five years. Second and most importantly, hotel incomes and values are mean reverting. This empirical fact is becoming more-and-more evident as we move through time with reliable data. Third, few if any sponsors

will guarantee that they can correctly time the markets. We have no choice but to trust history and the equilibrium principles that keep driving the performance in real asset markets back to a steady state." Additionally, the Korpacz Survey of Real Estate Investors, First Quarter, 2007 reported and average terminal cap rate of 10.13 for limited Service/Economy hotels. The rate of 10.5% is a safe estimate which falls in-between these two recommendations.

Selling Expenses at Reversion
These expenses are thought to equate to 3% of the selling price. They represent brokerage and legal fees.

Stabilized Year
The hotel achieves stabilization in year four or 2014. Stabilized NOI is $5,896,924. This figure was derived from the Forecast of Income and Expense model.

The Process

The 10-year discounted flow valuation formula assumes a mortgage-equity relationship and a fixed loan-to-value ratio. The ten-year forecast using a debt coverage ratio also assumes a mortgage equity relationship but utilizes a specific debt coverage ratio as of a certain year.

The debt coverage ratio is the ratio of the net income available for the debt service as of a specified year divided by the debt service.

The debt coverage used is 1.25 as of the fourth year. Many lenders base their mortgages on a predetermined debt coverage level as of a certain year. This ratio was obtained through a conversation with a Wells Fargo lending division representative who indicated that it was consistent with their lending practices. A ratio of 1.25 is considered safe by the lender because it insures that there is enough income to pay the debt service. Based upon this ratio, there should in fact be a residual of .25 after debt service has been accounted for.

This debt coverage ratio assumption forms the basis for valuing the hotel's mortgage component. Once the value of the mortgage component has been estimated, the value of the equity component can be quantified. The overall property value is therefore the value of the mortgage component plus the value of the equity component.

The initial mortgage balance can be obtained by multiplying the debt coverage ratio by the annualized mortgage constant and dividing this number into the net income before debt service.

(Year 4 NOI) $5,896,924/ (1.25x0.084813504) = $55,622,501

The next step is to value the equity component. Equity value equals the annual cash flows to equity plus the equity residual discounted to the present value by the equity yield rate.

This process is depicted in the steps that follow.

The annual cash flow to equity is the net income available for debt service (property-level before tax cash flow) minus the annual debt service. The annual debt service is calculated by multiplying the initial mortgage balance by the mortgage constant.

$55,622,501 x 0.084813504 = $4,717,539 Annual Debt Service

The annual cash flow to equity is calculated in Table 31.

Table 31

Year	NOI Available For Debt Service	Debt Service	Cash Flow to Equity
2011	$4,121,669	$4,717,539	-$595,870
2012	$4,781,072	$4,717,539	$63,533
2013	$5,418,846	$4,717,539	$701,307
2014	$5,896,924	$4,717,539	$1,179,385
2015	$6,084,343	$4,717,539	$1,366,804
2016	$6,277,550	$4,717,539	$1,560,011
2017	$6,476,722	$4,717,539	$1,759,183
2018	$6,682,040	$4,717,539	$1,964,501
2019	$6,893,691	$4,717,539	$2,176,152
2020	$7,111,869	$4,717,539	$2,394,330

The present value of the cash flows to equity is the cash flow to equity multiplied by the appropriate present value factor (equity yield of 12.4%). (See "Inputs" for detail)

Table 32

Year	Cash Flow to Equity	Present Value Factor at 12.4%	PV of Net Income
2011	-$595,870	0.8897	-$530,146
2012	$63,533	0.7915	$50,286
2013	$701,307	0.7042	$493,860
2014	$1,179,385	0.6265	$738,885
2015	$1,366,804	0.5574	$761,857
2016	$1,560,011	0.4959	$773,609
2017	$1,759,183	0.4412	$776,152
2018	$1,964,501	0.3925	$771,067
2019	$2,176,152	0.3492	$759,912
2020	$2,394,330	0.3107	$743,918
	PV cash flow equity		$5,339,401

The equity residual is the reversionary value less the ending mortgage balance. The reversionary value is calculated by taking the projected Year 11 net income before debt service and capitalizing it by the terminal cap rate. From that capitalized value the selling expenses are deducted.

Table 33

Reversionary Value	
Year 11 Net Income	$7,336,772
Terminal Cap. Rate	10.50%
Capitalized Value	$69,874,019
Less: Selling Expenses	$2,096,221
Reversionary Value	$67,777,798

The equity residual can then be determined by deducting the ending mortgage balance. The present value of the equity residual is calculated by multiplying the equity residual by the appropriate present value factor.

The ending mortgage balance is derived by multiplying the mortgage component of $55,622,501 by the RMB (remaining mortgage balance) percentage of 78% or 0.786334, which equals approximately $43,737,862. The RMB percentage was derived by subtracting the computed % of the mortgage which was paid by year 10 which is approximately 22%. So, 1-22% = 78% RMB.

Table 34

Equity Residual	
Reversionary Value	$67,777,798
Less: Ending Mort. Bal.	$43,737,862
Equity Residual	$24,039,936

Table 35

Present Value of Equity Residual	
Equity Residual	$24,039,936
PV factor at 12.4%	0.3107 (2020)
PV Equity Residual	$7,469,208

The value of the equity component is the present value of the cash flows to equity plus the present value of the residual.

Table 36

Present Value of Equity Component	
PV cash flow to equity	$5,339,401
PV equity residual	$7,469,208
PV equity Component	$12,808,609

The overall property value is the value of the mortgage component plus the value of the equity component.

Table 37

Overall Property Value	
Value of Mortgage Component	$55,622,501
Value of Equity Component	$12,808,609
Overall Property Value	**$68,431,110**

The Value Estimate in Summary

The total estimated value of the property was determined by adding the mortgage ($55,622,501) and equity ($12,808,609) components together which equates to $68,431,110. This value estimate demonstrates that the forecasted net income is sufficient to pay the required debt service on the $55,622,501 mortgage. There is in fact an equity residual balance of $24,039,937 ($7,469,133 discounted) upon reversion in year 10. This remaining balance would be split amongst the equity partners according to the terms of the deal structure chosen for this development.

In the following "Estimate of Total Project Cost" section of this study is an actual project estimate is formulated based on the culmination of perceived development costs. The value estimate is in fact **$56,585,787** or $12,036,714 less than the value derived from the DCR valuation approach used here.

Table 38 is a summary of the calculations used in the analysis of this section of the study.

Table 38

DCR Calcs:			Year	Net Income	Disc. Fact.	PV of Net Income
Yearly Mortgage Const. (f)		0.08481	1	$ 4,121,669	0.8897	$ 3,666,965
% of Mortgage Paid (P)		0.21367	2	$ 4,781,072	0.7915	$ 3,784,362
Net Sale Price	$	67,777,798	3	$ 5,418,846	0.7042	$ 3,815,996
RMB	$	43,737,862	4	$ 5,896,924	0.6265	$ 3,694,539
RMB as % of original Loan		0.7863340	5	$ 6,084,343	0.5574	$ 3,391,424
NOI for DCR Calcs	$	5,896,924	6	$ 6,277,550	0.4959	$ 3,113,095
			7	$ 6,476,722	0.4412	$ 2,857,532
Value of the Property (DCR)	$	68,431,190.61	8	$ 6,682,040	0.3925	$ 2,622,881
1. Mortgage Component	$	55,622,501.08	9	$ 6,893,691	0.3492	$ 2,407,437
2. NPV of the Cash Flow	$	31,563,866.79	10	$ 7,111,869	0.3107	$ 2,209,635
3. PV of the Mortgage PMT	$	26,224,310.52	11	$ 7,336,772		$ 31,563,867
4. PV of the Reversion	$	7,469,133.25				
Sum of 1+2-3+4	$	68,431,190.61				

IX. Estimate of Total Project Cost

The proposed development consists of 158,238 GSF and 250 keys. The hotel is envisioned to be ten stories in height with an attached open air parking structure located towards the rear of the site. A sixteen-month permitting process is assumed followed by a two year construction period. The preliminary total development cost of the project is $47,447,590 or $189,860/Key. Once this project estimate is adjusted for growth by both the inflationary rate of at 3% and the 5.8% for construction costs, the resultant is a project cost of **$56,585,787** or $226,343/Key projected in year 2011. This cost represents the replacement value of the hotel. It serves as a reliable

estimate of the cost to produce a substitute property with equal utility. The 5.1% rate represents the increase of construction costs (labor and materials) in May of 2007 versus 2006 as reported by RS Means. The 5.1% rate of growth is a likely best case scenario compared to recent double digit growth rates experienced in the last four years. Current labor rates and building materials costs may in fact increase more rapidly should non-residential construction projects continue to pick-up and the cost of oil continues to rise. Once the construction growth is factored for, the result is larger development costs per key. This construction growth rate is in fact outpacing the average room rates as projected in this study.

The total project cost of a hotel development is comprised of four different categories. These costs include building costs, non-building costs, soft costs, and other related development costs. The aggregate of these costs equates to the estimated project cost.

Other Development Costs

Land

The land costs of the two parcels located at 225 and 263 MSOH were valued based on the sales comparison approach. In 2005, a similar property was sold on Water Street, a block away from the proposed site. The Water Street property sold for $30 per FAR SF. The value of the subject property was based off an inflated $35 per FAR. A 3.0 FAR was used, which is both the developable FAR proposed and the allowable FAR for a residential use. This rationale is based upon the expectation that the present owner would value the property by the largest FAR allowable. The assembled site equates to 52,717 SF x 3.0 FAR = 158,151 x $35 = $5,535,285.

Real Estate Taxes

The real estate taxes cost was derived by a cost valuation as suggested by the Cambridge Assessors Office. Sixty percent of the value in year one x the mill rate of $18.60 per $1,000 value + sixty percent of the value in year two x the mill rate of $18.60 per $1,000 in value = $462,790. In year one the value included land cost and site work only. In year two the value was derived using total project hard costs, plus an adjusted 3% on the original land cost and site work components.

Financing

Financing costs were based on a construction loan with a two year term, LTV of 75%, 8% interest, and 1 point closing cost. This cost was derived using the following formula, (44,345,376*0.75)/2)*0.08)*2)+443,453. The total was $3,106,010. These terms are suggestive of the current hotel market as recommended by a representative of Wells Fargo Lending Division.

Development Fee

A development fee of 3% was utilized. This fee is consistent with the industry standard. It was applied to the site work, parking costs, and building construction hard costs. The total was $875,725.

Building Costs

The following cost schedule was derived through the amalgamation of various industry resources. Initially, RS Means 2007 Costworks software was utilized to formulate a base building per

square foot cost. The figures were then adjusted and/or confirmed through interviews with local general contractors and construction Managers.

Site Work
The site work consists of demolition, environmental work, grading, utilities, and dewatering. Demolition was priced at $4/SF per the 75,464 SF of existing buildings which equates to $301,856. Environmental work was priced at $7/SF x total land of 52,717 SF which equates to $369,019. Grading, paving, and utility work was priced at $19/SF x the total land, which equates to $1M. Total site related costs are $1,670,875.

Parking
The hotel development will require 125 parking spaces located in an above ground 31,875 SF structure. Cost per space is $20,000. Total parking costs are $2,500,000.

Building Construction
The actual "Building Construction" division is composed of Trade Costs and General Conditions & Fee. Combined these two elements totaled approximately $25,019,959.
Together they total $198/SF.

Non-Building Costs
Theses costs are specific to a hotel development. The costs associated with this development were based on room costs of a similar lifestyle brand hotel development model.

Operating Supplies and Equipment
These costs are associated with the equipping the following areas of the hotel. This equipment is manufactured offsite and most if it does not require any installation. It does not include consumable supplies such as food, drink or paper products. The divisions of this category include guestrooms, public areas and back of house, food and beverage, purchasing fee, freight and warehousing, and tax. This category in aggregate equated to $1,032,000 or $4,128/Key. Please see the proposed cost budget which follows this text for greater detail.

Laundry & IT
These costs are specifically associated with the IT and laundry equipment and installation. This category in aggregate equated to $1,139,500 or $4,558/Key. Please see the proposed cost budget which follows this text for greater detail.

Furniture, Fixtures, and Equipment
These costs are associated with movable furniture, fixtures or other equipment that have not permanent connection to the structure of a building or utilities. Examples include beds, vanities, desks, armoires, and ext. Divisions within this category include guest rooms, guest room corridors, public areas, purchasing fee, freight & warehousing, and tax. This category in aggregate equated to $1,829,750 or $7,319/Key. Please see the proposed cost budget which follows this text for greater detail.

Soft Costs

Professional Fees

This category includes architectural and engineering, testing and inspections, and a miscellaneous division. The architectural and engineering fees equate to $2,165,500 or $8,662 per room. This is approximately 7.5% of all hard costs. Testing and inspections total $92,000 or $368 per room. The miscellaneous division totals $73,500 or $294/key. In total this category accounts for $2,331,000 or $9,324/key.

Permitting, Legal, and Insurance

This category includes insurance, legal fees, utility connection fees, and permitting costs. The insurance cost was estimated at $137,750 or $551/key. This cost was based off a quote from Zurich Insurance providers who confirmed Building Risk Insurance as forty-five cents per one hundred dollars value of construction. The legal fees are estimated at $276,000 or $1,104 per room. This amount is necessary considering the FAR Variance which is needed. Additional funds may be necessary if Chapter 91 review is needed. Municipal & Utility fees were estimated at $92,000 or $368/key. Permitting expense equates to $291,908 or $1,168/key. The City of Cambridge charges 1% of hard costs for building permits.

Project Management

The project management fee expense includes salaries and wages, and travel expenses. This expense in total equates to $321,750 or $1,287/key.

Pre-Opening

A pre-opening expense of $735,250 or $2,941/key was estimated. This is consistent on a room basis with other lifestyle brand hotels. These are costs incurred by hotels before they are fully operational. According to the *USALI,* "Pre-opening expenses include such items as amounts spent for employee training, salaries, and wages, and advertising and promotion expenses. Many of these costs are incurred before a hotel or restaurant opens." Other examples of pre-opening expenses include travel costs for securing customers and suppliers, consultation fees and other professional services.

Contingency

The final item of the project cost estimate is a contingency expense of $969,559 or $3,878/key. The contingency of 3% is based on "Hard Costs". It's believed that the soft costs are accurately portrayed with some "cushion" already built in these items. The contingency allocated is deemed appropriate.

Estimated Development Budget

Table 39

Cost Summary	Budget	250 Keys 126363 SF 158238 GSF (Includes Parking Structure) Budget Per Key	Budget Per GSF	Comments	2011 Estimates	Compound Rate
Land	**$5,535,285**	**$22,141**	**$34.98**	(Per FAR GSF)	$6,230,012	3.0%
Real Estate Taxes	**$462,790**	**$1,851**	**$3**	(Per FAR GSF)	$507,553	Formula
Financing	**$3,106,010**	**$12,424**	**$20**	(Per FAR GSF)	$3,701,874	Formula
Developers Fee	**$875,725**	**$3,503**	**$6**	(Per FAR GSF)	$1,068,510	5.1%
Site Work (Demo, Grading, Utilities, Dewatering)	**$1,670,875**	**$6,684**	**$13**		$2,038,707	5.1%
Parking 125 Spaces	**$2,500,000**	**$10,000**	**$78**	(Per Prk. Structure GSF)	$3,050,358	5.1%
Building Construction	**$25,019,959**	**$100,080**	**$198**		$30,527,937	5.1%
Trade Costs	$20,976,329	$83,905	$166			
General Conditions & Fee	$2,779,995	$11,120	$22			
Operating Supplies & Equipment	**$1,032,000**	**$4,128**			$161,525	3.0%
Guestrooms	$418,500	$1,674				
Public Areas & Back of House	$390,500	$1,562				
Food and Beverage	$53,250	$213				
Purchasing Fee - 3%	$25,750	$103				
Freight, Warehousing, & Inflation - 11%	$101,000	$404				
Tax - 5%	$43,000	$172				
Laundry & IT	**$1,139,500**	**$4,558**			$1,282,517	3%
Information Technology - Including Tax, Freight	$1,002,500	$4,010				
Laundry Equipment - Including Tax, Freight, Install	$137,000	$548				
Kitchen Equipment - Included in Construction						
Furniture, Fixtures & Equipment	**$1,829,750**	**$7,319**			$2,059,400	3.0%
Guest Rooms - Including Vanities	$1,107,000	$4,428				
Guest Room Corridors	$113,750	$455				
Public Area	$333,500	$1,334				
Purchasing Fee	$73,500	$294				
Freight & Warehousing - 8%	$124,250	$497				
Tax - 5%	$77,750	$311				
Installation - Included in Construction						
Professional Fees	**$2,331,000**	**$9,324**			$2,623,561	3.0%
Architects & Engineers	$2,165,500	$8,662				
Testing/Inspections	$92,000	$368				
Miscellaneous	$73,500	$294				
Permitting, Legal & Insurance	**$797,658**	**$3,191**				
Insurance	$137,750	$551			$155,039	3.0%
Legal Fees	$276,000	$1,104			$310,640	3.0%
Municipal & Utility Fees	$92,000	$368			$103,547	3.0%
Permits	$291,908	$1,168			$335,783	5.1%
Project Management	**$321,750**	**$1,287**			$362,132	3.0%
Salaries & Wages	$275,750	$1,103				
Travel & Expense	$46,000	$184				
Pre-Opening	**$735,250**	**$2,941**			$827,250	3.0%
Contingency - 3%	**$995,763**	**$3,983**			$1,112,452	Combination
Total	$47,477,590	$189,860			$56,458,798	

X. Return on Investment Analysis

A 10-year internal rate of return calculation and discounted cash-flow was performed for the subject property. In doing so, all of the before-tax components of the investment were considered. These components included annual income dividends, property appreciation, and debt amortization. The internal rate of return (IRR) was calculated for the total property, mortgage, and equity components.

The ***internal rate of return*** is a capital budgeting method used by individuals and firms to decide whether they should make long-term investments. The IRR is the annualized effective compounded return rate which can be earned on the invested capital, or the yield on the investment.

A project is a good investment proposition if its IRR is greater than the rate of return that could be earned by alternative investments (investing in other projects, buying bonds, even putting the money in a bank account). Thus, the IRR should be compared to an alternative cost of capital including an appropriate risk premium.

Mathematically the IRR is defined as any discount rate that results in a net present value of zero of a series of cash flows. In general, if the IRR is greater than the project's cost of capital, or *hurdle rate,* the project will add value for the company.

The following cash flow analysis is based upon a 10-projection of net income. The subject's net income is projected forward for 10 years, from 2011-2020 based on the forecast of income and expense completed earlier in this study.

Table 40

Cash Flows for IRR Calcs	Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total Property		$ (68,431,191)	$ 4,121,669	$ 4,781,072	$5,418,846	$ 5,896,924	$6,084,343	$ 6,277,550	$6,476,722	$ 6,682,040	$6,893,691	$ 74,889,667
Mortgage		$ (55,622,501)	$ 4,717,539	$ 4,717,539	$4,717,539	$ 4,717,539	$4,717,539	$ 4,717,539	$4,717,539	$ 4,717,539	$4,717,539	$ 48,455,401
Equity		$ (12,808,690)	$ (595,870)	$ 63,533	$ 701,307	$ 1,179,385	$1,366,804	$ 1,560,011	$1,759,183	$ 1,964,501	$2,176,152	$ 26,434,267
Debt Coverage Ratio			0.87	1.01	1.15	1.25	1.29	1.33	1.37	1.42	1.46	1.51

The IRR calculation presumes a sale at the end of the 10-year holding period. The Net income of the 11th year was capitalized using the terminal cap rate of 10.5. This practice is based off of the rationale that an investor will use the anticipated income of his/her first year of ownership (year 11) in order to determine a purchase price.

It is significant to note that the present going in cap rate equates to approximately 6%. These rates are indicative of the current market. Due to the abundance of capital chasing deals, present cap rates have been driven down. These low rates are not expected to last. Therefore, the conservative approach was taken in assigning the going-out cap rate of 10.5. This terminal cap rate is in line with the fact that hotel incomes and values appear mean reverting. This observation is based off the PKF Consulting statement as expressed in the "Economic Value/Inputs/Terminal Cap. Rates" section of this study. It is believed that cap rates will increase as available capital declines and more hotels are added to the supply.

The following yields or internal rates of return were calculated.

Table 41

Position		Value	IRR
Value of the Property	$	68,431,191	8.37%
Value of the Mortgage Component	$	55,622,501	7.00%
Value of the Equity Component	$	12,808,690	12.40%

A discounted cash flow procedure is followed for each component which serves to substantiate each position's IRR.

Table 42

Total Property Present Value			
Year	Net Income Before D.S.	PV Factor @ 8.37%	Discounted Cash Flow
1	$ 4,121,669	0.922781	$ 3,803,396
2	$ 4,781,072	0.851524	$ 4,071,198
3	$ 5,418,846	0.785770	$ 4,257,967
4	$ 5,896,924	0.725093	$ 4,275,820
5	$ 6,084,343	0.669102	$ 4,071,047
6	$ 6,277,550	0.617434	$ 3,875,976
7	$ 6,476,722	0.569757	$ 3,690,155
8	$ 6,682,040	0.525760	$ 3,513,152
9	$ 6,893,691	0.485161	$ 3,344,553
10	$ 74,889,667	0.447698	$ 33,527,927
	Total Property Value		$ 68,431,191

Year 10 net income of	$ 7,111,869
plus reversion of	$ 67,777,798

Year 11 Net Income of $7336772 capitalized at 10.5% equals	$ 69,874,019
Less: Selling Expenses	$ 2,096,221
Equals: Net sales price	$ 67,777,798

Mortgage Component Present Value			
Year	Mortgage Payment	PV Factor @ 6.93%	Discounted Cash Flow
1	$ 4,717,539	0.935193	$ 4,411,812
2	$ 4,717,539	0.874587	$ 4,125,897
3	$ 4,717,539	0.817908	$ 3,858,512
4	$ 4,717,539	0.764902	$ 3,608,455
5	$ 4,717,539	0.715331	$ 3,374,604
6	$ 4,717,539	0.668973	$ 3,155,907
7	$ 4,717,539	0.625619	$ 2,951,384
8	$ 4,717,539	0.585075	$ 2,760,115
9	$ 4,717,539	0.547158	$ 2,581,241
10	$ 48,455,401	0.511699	$ 24,794,575
	Mortgage Component Value		$ 55,622,501

Year 10 Cash Flow Calculations	
Year 10 mort. payment of	$ 4,717,539
plus the RMB of	$ 43,737,862

Reversion Calculations for Proof
The reversion is the remaining mortgage balance (RMB) of the loan in at the end of year 10.

Equity Component Present Value			
Year	Net Income to Equity	PV Factor @ 12.40%	Discounted Cash Flow
1	$ (595,870)	0.889680	$ (530,134)
2	$ 63,533	0.791530	$ 50,288
3	$ 701,307	0.704208	$ 493,866
4	$ 1,179,385	0.626520	$ 738,908
5	$ 1,366,804	0.557402	$ 761,859
6	$ 1,560,011	0.495909	$ 773,624
7	$ 1,759,183	0.441200	$ 776,152
8	$ 1,964,501	0.392527	$ 771,120
9	$ 2,176,152	0.349223	$ 759,963
10	$ 26,434,267	0.310697	$ 8,213,044
	Equity Component Value		$ 12,808,690

Year 10 net inc. to equity of	$ 2,394,330
plus the equity residual of	$ 24,039,937

Net Sales Price (cell F72)	$ 67,777,798
Less: RMB	$ 43,737,862
Equals: Equity Residual	$ 24,039,937

These internal rates of return appear to be reasonable based on the quality of the subject property, competitive environment, associated market conditions, and all other factors affecting the economic viability of the project. They are in line with market returns demanded by both the mortgage and equity components. Furthermore, the conservative terminal capitalization rate used hedges against over inflated reversionary expectations.

XI. Conclusion

A hotel market and valuation feasibility study was performed on an assembled site located in at 209-225 Monsignor O'Brien Highway in Cambridge, Massachusetts. It was discovered that the initial assemblage was flawed. Further research and analysis determined that the site asking price was too high for 219/221 MSOH. Additionally, it was learned that an easement ran through sites 209 and 221 MSOH. A site which proved more opportunistic was exposed. The new assemblage included 225 Monsignor O'Brien Highway, as well as the neighboring parcel to the north located at 263 MSOH. In aggregate these two sites total 79,076 SF.

The purpose of this study was to evaluate the supply and demand factors affecting the market for transient accommodations within a 3 mile radius or an approximate 10 minute vehicle travel time of the proposed site. Once these factors were identified the next step of this study included the determination of the proper size and type of hotel best suited for the proposed site. Upon defining these parameters, the economic feasibility was tested by estimating the economic value of the completed hotel through a capitalization of the forecasted net income approach and then comparing this value to the projected total project cost. Further analysis for the economic feasibility of the proposed hotel was formulated by internal rate of return calculations. The following is the summary of findings, as well as the economic feasibility conclusion.

The ultimate subject parcel (225-263 MSOH) was found to be well suited for hotel development. The topography of the site appears adequate to accommodate the proposed improvements. Additional environmental studies will needed in order to rule out excessive environmental

contamination. The location of the site in context of access is excellent. Route 28 is located directly in front of the site. Major thorough fairs within two (2) miles of the site include Interstate 93, Storrow Drive and Memorial Drive. Public transportation is readily available through the Lechmere MBTA station located across the street from the subject. Logan International Airport is a mere fifteen minute's drive away by taxi. All required utilities are readily available to the site.

The major impediment of the site is its size. The size of the assembled site is insufficient to accommodate the minimum of 250 keys recommended for the site. In order to overcome this obstacle a zoning variance will be needed to bump up the existing FAR of 1.5 to 3.0. Success in this endeavor will allow for the 158,151 SF as proposed. A second matter of concern is the noise and vibration related to the extension of the future MBTA Green line behind the site. Additional studies will be necessary in order to determine the exact location of the railway. Architectural and engineering design methods should be also be examined that would mitigate these issues. Noteworthy of mention is the issue uncertainty associated with Chapter 91 legislation. Although industry sources believe it's unlikely, the Commonwealth may rule that reclaimed landlocked tidelands do in fact need to adhere to the Department of Environmental Protection impact review process. This process could delay the project and contribute to unaccounted costs.

The economic conditions of the local Cambridge area, Boston, and surrounding Middlesex County are sound. The population of Middlesex County, which is believed to represent the current and future projections of the subject study area is forecasted to grow slightly through 2010. Projections of 0.17% population growth are expected through 2010. Personal income is projected to increase at an annual average rate of 1.69% through 2010. Total employment for the area is projected to increase approximately 1.5% through 2010. The service sector, a field that tends to have the greatest impact on hotel demand is projected to grow at an average annual compound rate of 1.7%. The declining office vacancy rates in Kendall Square and Boston's Financial District further substantiates this growth. The subject hotel will profit from the commercial segment demand because of the site's proximity to Kendall Square and Boston's Financial District. In addition to the hotel demand created by these nearby service sector firms, the proposed hotel will also benefit from Harvard University and Massachusetts Institute of Technology visitors. Both institutions are located within a 10-15 fifteen minute drive of the site.

Furthermore, the proposed site is located optimally to take advantage of future commercial segment demand created by the North Point's development of 2.2 million SF of commercial use. The North Point development will add to the vitality of the neighborhood with its proposed retail uses and modern public transportation station.
The proposed hotel site will also serve as an excellent starting off point for leisure travelers looking to enjoy all that the surrounding area has to offer.

The area surrounding the proposed hotel site consists of three **primary** market segments: commercial, meeting and convention, and leisure. A small percentage of the extended stay segment exists, but due to the limited demand for these types of accommodations and size constraints associated with the proposed site, this segment was deemed an inappropriate use for the subject. Base on room night analysis and the evaluation of demographic trends, the following estimates of room night demand and future demand growth rates were conceived.

Table 43

AVERAGE SEGMENT PERCENTILES			
		Annual Room Room Night Demand	Annual Demand Growth Rates
Commercial	50.3%	403,577	5% in 07,2.5 in 08, 2% after
Meeting	14.0%	126,219	3% in 07, 2% in 08, 1.5% after
Leisure	26.3%	209,137	3% in 07, 2% in 08-11, 1.5% after
Extended Stay	9.6%	70,557	2.5% in 07, 2% in 08-11, 1.5% after
Total	100.0%	809,490	

Twelve competitive hotels facilities were identified and evaluated. The current average area occupancy was estimated at 78% for 2006, with an average rate of $165. None of the hotels had an occupancy rate below 72%. Six new hotels are scheduled to open in the between the years of 2007-2011, totaling 1,176 new rooms. These proposed hotels represented the following classifications: (1) Upper-Upscale, (3) Upscale, (1) Midscale w/o F&B, and an Independent Upper Tier.

After analyzing the local market for transient accommodations, which included an evaluation of the competitive environment, the future economic trends, and locational characteristics of the subject site, it was determined that an upscale "lifestyle brand" hotel would best suit the proposed assembled site. This scale of this stylish hotel would be geared towards the needs of both the commercial and leisure traveler, while accommodating small meeting groups. A particular lifestyle brand recommended was InterContinental Hotel Group's Hotel Indigo. The brand of this hotel appears to suit the subject site best due to is incorporation of food service. This lifestyle hotel would consist of a minimum of 250 keys. The room count was established in part based upon the "hotel rule of thumb" as explained by Skip LaBarre, Marriot's Area Vice President of Lodging Development. Essentially, for every $1,000 spent in development costs, hotel must generate $1 in ADR (within approximately 15%). The 250 key count satisfied this condition while remaining in line with room night analysis conducted.

The room night analysis was made to estimate the competitiveness of the proposed 250-key subject hotel and create a forecast of occupancy and average room rate. The number of room nights the subject was envisioned to capture in each market segment was established. Based upon the results, the following occupancy and average rates were determined.

Table 44

Year	Occupancy Rate	Avg. Rate per Occupied Room
2011	62%	$194.71
2012	66%	$200.55
2013	70%	$206.57
2014	72%	$212.76

With the aid of industry cost estimating tools, similar hotel type's development budgets, and consultation of industry professionals, the project cost for the proposed 250 key hotel was forecasted to be **$56,585,787** or $226,343/Key. The forecasted room rate in year 2011 is $195. This cost per key falls within the approximate 15% caveat allowed under the "hotel rule of

thumb" with regards to costs and average room rates. None the less, this further emphasizes the need to maximize room count with the aid of an FAR variance.

According to Stephen Rushmore, "When applied in conjunction with the income capitalization approach, the cost approach can verify a project's economic feasibility. If the value obtained by applying the income capitalization approach is equal to or greater than the replacement cost plus the land value, the project is usually considered economically feasible"[8]. In the case of this study the estimated cost value was in fact $12M less than the economic value of $68,431,110. The cost estimate is essentially a forecasted value based upon industry cost tools and a "real world" compilation of the associated development costs to build the hotel. It's essentially the cost of replacement of the facility as of 2011. The fact that the value was less than the cost derived from the income capitalization approach indicates that the proposed hotel is economically viable.

An eleven year forecast of income and expense was made based upon the occupancy and average rates established. After deducting the associated operating and expenses, including fixed expenses, the net income before debt service was determined.

Table 45

Year	Net Income Before Debt Service
2011	4,121,668.95
2012	4,781,072.28
2013	5,418,846.48
2014	5,896,924.42
2015	6,084,343.01
2016	6,277,550.03
2017	6,476,721.77
2018	6,682,039.88
2019	6,893,691.48
2020	7,111,869.35
2021	7,336,772.13

The economic value of the proposed development was estimated through a discounting and capitalization approach which allocates the expected net income before debt service to the mortgage and equity components based on their market rates of return and a debt coverage ratio as of the stabilization year. The economic value is derived by adding the mortgage component and the equity component together. The proposed hotel is scheduled to be completed on January 1, 2011 at which time it will be valued at $68,431,110.

[8] *Hotels and Motels: Valuations and Market Studies,* Stephen Rushmore, MAI, Erich Baum, American Institute of Real Estate Appraisers, 2001.

Based upon the $68,431,110 value and the forecast of income and expense, the following returns on investment were calculated.

Table 46

Position		Value	IRR
Value of the Property	$	68,431,191	8.37%
Value of the Mortgage Component	$	55,622,501	7.00%
Value of the Equity Component	$	12,808,690	12.40%

In addition to the positive comparisons of both the estimated project cost and the economic value estimate, the internal rate of return analysis is encouraging. The IRR estimates show reasonable returns for each component. Assuming that the project cost can be maintained at the level presumed in this study and that the economic and competitive environment remains in line with the projections as forecasted, the proposed hotel should continue to show positive feasibility throughout the development process.

XII. Additional Areas of Research

Hotel Competitive Analysis

One of the criteria of a hotel economic feasibility is designating or establishing the appropriate facility for a proposed site. The data and analysis collected and interpreted leads one to this decision. Before this designation is made a generalization with regards to potential hotel competitors is necessary in order to better understand the broad dynamics of the market area. Once the competition is understood and a specific hotel program is chosen, the opportunity exists to refine the competitive analysis previously undertaken.

Additional research regarding the desertion of primary competitors versus secondary competitors through a process of assigned weighting factors would compliment this feasibility study. Primary competitors are hotels that are similar to the subject property in terms of their class and facilities. They appeal to the same type of transient visitor. Secondary competitors consist of hotels that would not normally attract the same type of transient visitor, but become competitive because of special circumstances.

The processing of determining which hotels represent primary versus secondary competition is partially subjective. The following types of questions must be answered to in order to form a substantial conclusion:

1. Does the hotel occupy a similar location?
2. Is it within 20 minutes of demand generators?
3. Is it identified with a specialized location?
4. Is the hotel similar in terms of the types of facilities offered?
5. Does the hotel offer similar amenities?
6. Is the hotel similar in class?
7. Is the hotel similar in image?

Once secondary competitors are identified, weighting factors are applied. A percentage measure reduces the room count of the secondary competitor. This will in effect reduce the supply of

available rooms, as well as reduce the area's room night demand. These results would then be factored into the "build-up" approach as used in the initial stages of this study. Such an undertaking may provide the researcher with refined room night total demand factors.

Construction Costs Forecasts

Within the study a year over year current rate of construction cost growth is utilized as a benchmark as part of the process of obtaining the future value of a current development cost estimate. Actual economic projections of construction costs would further strengthen the budget analysis.

Appendices

The following is the market segmentation analysis utilized in order to calculate market share and allocate different hotel's segment demand in relation to each other.

Commercial Market Segmentation Analysis

2006

Hotel	Number of Rooms	Annual Occupancy	Percent Percent Commercial Demand	Commercial Room Nights Per Year	Commercial Competitive Index	Fair Share	Commercial Market Share	Penetration Factor
Holiday Inn Somerville	184	72%	60%	29,013	158	6.5%	7.55%	117%
Holiday Inn Select Boston Government Center	303	75%	50%	24,178	80	10.6%	6.29%	59%
Hyatt Regency Cambridge	469	74%	50%	63,338	135	16.5%	16.48%	100%
Sonesta Hotel Royal	400	76%	55%	61,028	153	14.0%	15.88%	113%
Marriot Boston Cambridge	431	76%	65%	77,714	180	15.1%	20.22%	134%
Holiday Inn Express Hotel & Suites Cambridge	112	73%	65%	19,398	173	3.9%	5.05%	128%
Hotel @ MIT	210	74%	60%	34,033	162	7.4%	8.85%	120%
Residence Inn Boston Cambridge	221	86.5%	25%	17,348	78	7.8%	4.51%	58%
Hampton Inn Boston Cambridge	114	74.5%	65%	20,150	177	4.0%	5.24%	131%
Hotel Marlowe	236	75%	45%	29,072	123	8.3%	7.56%	91%
Residence Inn Boston Harbor on Tudor Wharf	168	78%	19%	9,088	54	5.9%	2.36%	40%
	2848			384,359		100.0%	100.0%	

2007

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	7.55%	31,990	6.2%	120.9%
Holiday Inn Select Boston Government Center	303	80	24,240	6.29%	26,673	10.3%	61.2%
Hyatt Regency Cambridge	469	135	63,315	16.44%	69,669	15.9%	103.3%
Sonesta Hotel Royal	400	153	61,200	15.89%	67,342	13.6%	117.1%
Marriot Boston Cambridge	431	180	77,580	20.15%	85,366	14.6%	137.7%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	5.03%	21,321	3.8%	132.4%
Hotel @ MIT	210	162	34,020	8.83%	37,434	7.1%	123.9%
Residence Inn Boston Cambridge	221	78	17,238	4.48%	18,968	7.5%	59.7%
Hampton Inn Boston Cambridge	114	177	20,178	5.24%	22,203	3.9%	135.4%
Hotel Marlowe	236	123	29,028	7.54%	31,941	8.0%	94.1%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	2.36%	9,982	5.7%	41.3%
Liberty Hotel	98	8	787	0.20%	866	3.3%	6.1%
	2946		385,106	100.0%	423,755	100.0%	

2008

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	6.67%	28,989	5.7%	117.9%
Holiday Inn Select Boston Government Center	303	80	24,240	5.56%	24,171	9.3%	59.7%
Hyatt Regency Cambridge	469	135	63,315	14.54%	63,135	14.4%	100.8%
Sonesta Hotel Royal	400	153	61,200	14.05%	61,026	12.3%	114.2%
Marriot Boston Cambridge	431	180	77,580	17.81%	77,359	13.3%	134.3%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	4.45%	19,321	3.4%	129.1%
Hotel @ MIT	210	162	34,020	7.81%	33,923	6.5%	120.9%
Residence Inn Boston Cambridge	221	78	17,238	3.96%	17,189	6.8%	58.2%
Hampton Inn Boston Cambridge	114	177	20,178	4.63%	20,121	3.5%	132.1%
Hotel Marlowe	236	123	29,028	6.66%	28,945	7.3%	91.8%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	2.08%	9,046	5.2%	40.3%
Liberty Hotel	298	128	38,144	8.76%	38,036	9.2%	95.5%
Regent Boston Battery Wharf	105	125	13,125	3.01%	13,088	3.2%	93.3%
	3251		435,588	100.0%	434,349	100.0%	

2009

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	6.54%	28,989	5.4%	120.6%
Holiday Inn Select Boston Government Center	303	80	24,240	5.46%	24,171	8.9%	61.1%
Hyatt Regency Cambridge	469	135	63,315	14.25%	63,134	13.8%	103.0%
Sonesta Hotel Royal	400	153	61,200	13.77%	61,026	11.8%	116.8%
Marriot Boston Cambridge	431	180	77,580	17.46%	77,359	12.7%	137.4%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	4.36%	19,321	3.3%	132.0%
Hotel @ MIT	210	162	34,020	7.66%	33,923	6.2%	123.6%
Residence Inn Boston Cambridge	221	78	17,238	3.88%	17,189	6.5%	59.5%
Hampton Inn Boston Cambridge	114	177	20,178	4.54%	20,120	3.4%	135.1%
Hotel Marlowe	236	123	29,028	6.53%	28,945	7.0%	93.9%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	2.04%	9,046	5.0%	41.2%
Liberty Hotel	298	128	38,144	8.59%	38,035	8.8%	97.7%
Regent Boston Battery Wharf	105	135	14,175	3.19%	14,135	3.1%	103.0%
Court Yard By Marriot	77	75	5,775	1.30%	5,759	2.3%	57.2%
Townplace Suites	63	30	1,890	0.43%	1,885	2%	23%
	3,391		444,303	100.0%	443,036	100.0%	

2010

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	6.13%	27,690	5.1%	120.9%
Holiday Inn Select Boston Government Center	303	80	24,240	5.11%	23,088	8.3%	61.2%
Hyatt Regency Cambridge	469	135	63,315	13.34%	60,305	12.9%	103.3%
Sonesta Hotel Royal	400	153	61,200	12.90%	58,290	11.0%	117.1%
Marriot Boston Cambridge	431	180	77,580	16.35%	73,892	11.9%	137.8%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	4.08%	18,455	3.1%	132.4%
Hotel @ MIT	210	162	34,020	7.17%	32,403	5.8%	124.0%
Residence Inn Boston Cambridge	221	78	17,238	3.63%	16,418	6.1%	59.7%
Hampton Inn Boston Cambridge	114	177	20,178	4.25%	19,219	3.1%	135.5%
Hotel Marlowe	236	123	29,028	6.12%	27,648	6.5%	94.1%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	1.91%	8,641	4.6%	41.3%
Liberty Hotel	298	128	38,144	8.04%	36,331	8.2%	98.0%
Regent Boston Battery Wharf	105	140	14,700	3.10%	14,001	2.9%	107.1%
Court Yard By Marriot	154	150	23,100	4.87%	22,002	4.2%	114.8%
Townplace Suites	126	65	8,190	1.73%	7,801	3%	50%
Unnnamed Hotel (Downtown Crossing)	100	60	6,000	1.26%	5,715	3%	46%
	3631		474,453	100.0%	451,897	100.0%	

2011

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	5.35%	24,653	4.6%	117.2%
Holiday Inn Select Boston Government Center	303	80	24,240	4.46%	20,556	7.5%	59.3%
Hyatt Regency Cambridge	469	135	63,315	11.65%	53,691	11.6%	100.1%
Sonesta Hotel Royal	400	153	61,200	11.26%	51,898	9.9%	113.5%
Marriot Boston Cambridge	431	180	77,580	14.27%	65,788	10.7%	133.5%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	3.56%	16,431	2.8%	128.3%
Hotel @ MIT	210	162	34,020	6.26%	28,849	5.2%	120.1%
Residence Inn Boston Cambridge	221	78	17,238	3.17%	14,618	5.5%	57.8%
Hampton Inn Boston Cambridge	114	177	20,178	3.71%	17,111	2.8%	131.3%
Hotel Marlowe	236	123	29,028	5.34%	24,616	5.9%	91.2%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	1.67%	7,693	4.2%	40.0%
Liberty Hotel	298	128	38,144	7.02%	32,346	7.4%	94.9%
Regent Boston Battery Wharf	105	140	14,700	2.70%	12,466	2.6%	103.8%
Court Yard By Marriot	154	175	26,950	4.96%	22,854	3.8%	129.8%
Townplace Suites	126	65	8,190	1.51%	6,945	3%	48%
Unnnamed Hotel (Downtown Crossing)	250	120	30,000	5.52%	25,440	6%	89%
SUBJECT Hotel	250	165	41,250	7.59%	34,980	6.2%	122.4%
	4031		543,553	100.0%	460,935	100.0%	

2012

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	5.32%	25,031	4.6%	116.6%
Holiday Inn Select Boston Government Center	303	80	24,240	4.44%	20,871	7.5%	59.1%
Hyatt Regency Cambridge	469	135	63,315	11.60%	54,514	11.6%	99.7%
Sonesta Hotel Royal	400	153	61,200	11.21%	52,693	9.9%	112.9%
Marriot Boston Cambridge	431	180	77,580	14.21%	66,797	10.7%	132.9%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	3.55%	16,683	2.8%	127.7%
Hotel @ MIT	210	162	34,020	6.23%	29,291	5.2%	119.6%
Residence Inn Boston Cambridge	221	78	17,238	3.16%	14,842	5.5%	57.6%
Hampton Inn Boston Cambridge	114	177	20,178	3.70%	17,373	2.8%	130.7%
Hotel Marlowe	236	123	29,028	5.32%	24,993	5.9%	90.8%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	1.66%	7,811	4.2%	39.9%
Liberty Hotel	298	128	38,144	6.99%	32,842	7.4%	94.5%
Regent Boston Battery Wharf	105	140	14,700	2.69%	12,657	2.6%	103.3%
Court Yard By Marriot	154	175	26,950	4.94%	23,204	3.8%	129.2%
Townplace Suites	126	65	8,190	1.50%	7,052	3%	48%
Unnnamed Hotel (Downtown Crossing)	250	125	31,250	5.72%	26,906	6%	92%
SUBJECT Hotel	250	170	42,500	7.78%	36,593	6.2%	125.5%
	4031		546,053	100.0%	470,154	100.0%	

2013

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	5.31%	25,462	4.6%	116.3%
Holiday Inn Select Boston Government Center	303	80	24,240	4.43%	21,230	7.5%	58.9%
Hyatt Regency Cambridge	469	135	63,315	11.56%	55,452	11.6%	99.4%
Sonesta Hotel Royal	400	153	61,200	11.18%	53,600	9.9%	112.6%
Marriot Boston Cambridge	431	180	77,580	14.17%	67,946	10.7%	132.5%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	3.54%	16,970	2.8%	127.4%
Hotel @ MIT	210	162	34,020	6.21%	29,795	5.2%	119.3%
Residence Inn Boston Cambridge	221	78	17,238	3.15%	15,097	5.5%	57.4%
Hampton Inn Boston Cambridge	114	177	20,178	3.69%	17,672	2.8%	130.3%
Hotel Marlowe	236	123	29,028	5.30%	25,423	5.9%	90.6%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	1.66%	7,945	4.2%	39.8%
Liberty Hotel	298	128	38,144	6.97%	33,407	7.4%	94.2%
Regent Boston Battery Wharf	105	140	14,700	2.68%	12,875	2.6%	103.1%
Court Yard By Marriot	154	175	26,950	4.92%	23,603	3.8%	128.8%
Townplace Suites	126	65	8,190	1.50%	7,173	3%	48%
Unnnamed Hotel (Downtown Crossing)	250	125	31,250	5.71%	27,369	6%	92%
SUBJECT Hotel	250	176	44,000	8.04%	38,536	6.2%	129.6%
	4031		547,553	100.0%	479,557	100.0%	

2014

Hotel	Number of Rooms	Commercial Competitive Index	Market Share Adjuster	Commercial Market Share	Commercial Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	158	29,072	5.31%	25,971	4.6%	116.3%
Holiday Inn Select Boston Government Center	303	80	24,240	4.43%	21,654	7.5%	58.9%
Hyatt Regency Cambridge	469	135	63,315	11.56%	56,561	11.6%	99.4%
Sonesta Hotel Royal	400	153	61,200	11.18%	54,672	9.9%	112.6%
Marriot Boston Cambridge	431	180	77,580	14.17%	69,305	10.7%	132.5%
Holiday Inn Express Hotel & Suites Cambridge	112	173	19,376	3.54%	17,309	2.8%	127.4%
Hotel @ MIT	210	162	34,020	6.21%	30,391	5.2%	119.3%
Residence Inn Boston Cambridge	221	78	17,238	3.15%	15,399	5.5%	57.4%
Hampton Inn Boston Cambridge	114	177	20,178	3.69%	18,026	2.8%	130.3%
Hotel Marlowe	236	123	29,028	5.30%	25,932	5.9%	90.6%
Residence Inn Boston Harbor on Tudor Wharf	168	54	9,072	1.66%	8,104	4.2%	39.8%
Liberty Hotel	298	128	38,144	6.97%	34,075	7.4%	94.2%
Regent Boston Battery Wharf	105	140	14,700	2.68%	13,132	2.6%	103.1%
Court Yard By Marriot	154	175	26,950	4.92%	24,075	3.8%	128.8%
Townplace Suites	126	65	8,190	1.50%	7,316	3%	48%
Unnnamed Hotel (Downtown Crossing)	250	125	31,250	5.71%	27,917	6%	92%
SUBJECT Hotel	250	176	44,000	8.04%	39,307	6.2%	129.6%
	4031		547,553	100.0%	489,148	100.0%	

Meeting and Convention Segmentation Analysis

2006

Hotel	Number of Rooms	Annual Occupancy	Percent Percent Meeting Demand	Meeting Room Nights Per Year	Meeting Competitive Index	Fair Share	Meeting Market Share	Penetration Factor
Holiday Inn Somerville	184	72%	15%	7,253	39	6.5%	5.98%	93%
Holiday Inn Select Boston Government Center	303	75%	15%	12,442	41	10.6%	10.25%	96%
Hyatt Regency Cambridge	469	74%	20%	25,335	54	16.5%	20.88%	127%
Sonesta Hotel Royal	400	76%	15%	16,644	42	14.0%	13.71%	98%
Marriot Boston Cambridge	431	76%	20%	23,912	55	15.1%	19.70%	130%
Holiday Inn Express Hotel & Suites Cambridge	112	73%	10%	2,984	27	3.9%	2.46%	63%
Hotel @ MIT	210	74%	20%	11,344	54	7.4%	9.35%	127%
Residence Inn Boston Cambridge	221	86.5%	8%	5,582	25	7.8%	4.60%	59%
Hampton Inn Boston Cambridge	114	74.5%	15%	4,624	41	4.0%	3.81%	95%
Hotel Marlowe	236	75%	10%	6,461	27	8.3%	5.32%	64%
Residence Inn Boston Harbor on Tudor Wharf	168	78%	10%	4,783	28	5.9%	3.94%	67%
	2848			121,365		100.0%	100.0%	

2007

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	5.92%	7,693	6.2%	94.8%
Holiday Inn Select Boston Government Center	303	41	12,423	10.24%	13,318	10.3%	99.6%
Hyatt Regency Cambridge	469	54	25,326	20.88%	27,151	15.9%	131.2%
Sonesta Hotel Royal	400	42	16,800	13.85%	18,011	13.6%	102.0%
Marriot Boston Cambridge	431	55	23,705	19.55%	25,414	14.6%	133.6%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	2.49%	3,242	3.8%	65.6%
Hotel @ MIT	210	54	11,340	9.35%	12,157	7.1%	131.2%
Residence Inn Boston Cambridge	221	25	5,525	4.56%	5,923	7.5%	60.7%
Hampton Inn Boston Cambridge	114	41	4,674	3.85%	5,011	3.9%	99.6%
Hotel Marlowe	236	27	6,372	5.25%	6,831	8.0%	65.6%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.88%	5,043	5.7%	68.0%
Liberty Hotel	98	2	197	0.16%	211	3.3%	4.9%
	2946		121,266	100.0%	130,006	100.0%	

2008

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	5.39%	7,150	5.7%	95.3%
Holiday Inn Select Boston Government Center	303	41	12,423	9.33%	12,378	9.3%	100.2%
Hyatt Regency Cambridge	469	54	25,326	19.03%	25,234	14.4%	131.9%
Sonesta Hotel Royal	400	42	16,800	12.62%	16,739	12.3%	102.6%
Marriot Boston Cambridge	431	55	23,705	17.81%	23,619	13.3%	134.4%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	2.27%	3,013	3.4%	66.0%
Hotel @ MIT	210	54	11,340	8.52%	11,299	6.5%	131.9%
Residence Inn Boston Cambridge	221	25	5,525	4.15%	5,505	6.8%	61.1%
Hampton Inn Boston Cambridge	114	41	4,674	3.51%	4,657	3.5%	100.2%
Hotel Marlowe	236	27	6,372	4.79%	6,349	7.3%	66.0%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.53%	4,687	5.2%	68.4%
Liberty Hotel	298	28	8,344	6.27%	8,314	9.2%	68.4%
Regent Boston Battery Wharf	105	35	3,675	2.76%	3,662	3.2%	85.5%
	3251		133,088	100.0%	132,606	100.0%	

2009

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	5.30%	7,174	5.4%	97.7%
Holiday Inn Select Boston Government Center	303	41	12,423	9.18%	12,419	8.9%	102.8%
Hyatt Regency Cambridge	469	54	25,326	18.72%	25,318	13.8%	135.3%
Sonesta Hotel Royal	400	42	16,800	12.42%	16,795	11.8%	105.3%
Marriot Boston Cambridge	431	55	23,705	17.52%	23,698	12.7%	137.8%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	2.24%	3,023	3.3%	67.7%
Hotel @ MIT	210	54	11,340	8.38%	11,337	6.2%	135.3%
Residence Inn Boston Cambridge	221	25	5,525	4.08%	5,523	6.5%	62.7%
Hampton Inn Boston Cambridge	114	41	4,674	3.45%	4,673	3.4%	102.8%
Hotel Marlowe	236	27	6,372	4.71%	6,370	7.0%	67.7%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.48%	4,703	5.0%	70.2%
Liberty Hotel	298	28	8,344	6.17%	8,341	8.8%	70.2%
Regent Boston Battery Wharf	105	35	3,675	2.72%	3,674	3.1%	87.7%
Court Yard By Marriot	77	14	1,078	0.80%	1,078	2.3%	35.1%
Townplace Suites	63	18	1,134	0.84%	1,134	2%	45%
	3,391		135,300	100.0%	135,258	100.0%	

2010

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	4.99%	6,883	5.1%	98.5%
Holiday Inn Select Boston Government Center	303	41	12,423	8.64%	11,916	8.3%	103.5%
Hyatt Regency Cambridge	469	54	25,326	17.61%	24,293	12.9%	136.3%
Sonesta Hotel Royal	400	42	16,800	11.68%	16,115	11.0%	106.0%
Marriot Boston Cambridge	431	55	23,705	16.48%	22,738	11.9%	138.8%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	2.10%	2,901	3.1%	68.2%
Hotel @ MIT	210	54	11,340	7.88%	10,878	5.8%	136.3%
Residence Inn Boston Cambridge	221	25	5,525	3.84%	5,300	6.1%	63.1%
Hampton Inn Boston Cambridge	114	41	4,674	3.25%	4,483	3.1%	103.5%
Hotel Marlowe	236	27	6,372	4.43%	6,112	6.5%	68.2%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.27%	4,512	4.6%	70.7%
Liberty Hotel	298	28	8,344	5.80%	8,004	8.2%	70.7%
Regent Boston Battery Wharf	105	35	3,675	2.56%	3,525	2.9%	88.4%
Court Yard By Marriot	154	26	4,004	2.78%	3,841	4.2%	65.6%
Townplace Suites	126	36	4,536	3.15%	4,351	3.5%	90.9%
Unnnamed Hotel (Downtown Crossing)	100	22	2,200	1.53%	2,110	2.8%	55.5%
	3631		143,828	100.0%	137,963	100.0%	

2011

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	4.58%	6,447	4.6%	100.4%
Holiday Inn Select Boston Government Center	303	41	12,423	7.93%	11,161	7.5%	105.5%
Hyatt Regency Cambridge	469	54	25,326	16.17%	22,754	11.6%	139.0%
Sonesta Hotel Royal	400	42	16,800	10.73%	15,094	9.9%	108.1%
Marriot Boston Cambridge	431	55	23,705	15.13%	21,298	10.7%	141.5%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	1.93%	2,717	2.8%	69.5%
Hotel @ MIT	210	54	11,340	7.24%	10,188	5.2%	139.0%
Residence Inn Boston Cambridge	221	25	5,525	3.53%	4,964	5.5%	64.3%
Hampton Inn Boston Cambridge	114	41	4,674	2.98%	4,199	2.8%	105.5%
Hotel Marlowe	236	27	6,372	4.07%	5,725	5.9%	69.5%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.00%	4,226	4.2%	72.1%
Liberty Hotel	298	28	8,344	5.33%	7,497	7.4%	72.1%
Regent Boston Battery Wharf	105	35	3,675	2.35%	3,302	2.6%	90.1%
Court Yard By Marriot	154	26	4,004	2.56%	3,597	3.8%	66.9%
Townplace Suites	126	36	4,536	2.90%	4,075	3.1%	92.7%
Unnnamed Hotel (Downtown Crossing)	250	30	7,500	4.79%	6,738	6.2%	77.2%
SUBJECT Hotel	250	30	7,500	4.79%	6,738	6.2%	77.2%
	4031		156,628	100.0%	140,723	100.0%	

2012

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	4.58%	6,544	4.6%	100.4%
Holiday Inn Select Boston Government Center	303	41	12,423	7.93%	11,329	7.5%	105.5%
Hyatt Regency Cambridge	469	54	25,326	16.17%	23,095	11.6%	139.0%
Sonesta Hotel Royal	400	42	16,800	10.73%	15,320	9.9%	108.1%
Marriot Boston Cambridge	431	55	23,705	15.13%	21,617	10.7%	141.5%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	1.93%	2,758	2.8%	69.5%
Hotel @ MIT	210	54	11,340	7.24%	10,341	5.2%	139.0%
Residence Inn Boston Cambridge	221	25	5,525	3.53%	5,038	5.5%	64.3%
Hampton Inn Boston Cambridge	114	41	4,674	2.98%	4,262	2.8%	105.5%
Hotel Marlowe	236	27	6,372	4.07%	5,811	5.9%	69.5%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	3.00%	4,290	4.2%	72.1%
Liberty Hotel	298	28	8,344	5.33%	7,609	7.4%	72.1%
Regent Boston Battery Wharf	105	35	3,675	2.35%	3,351	2.6%	90.1%
Court Yard By Marriot	154	26	4,004	2.56%	3,651	3.8%	66.9%
Townplace Suites	126	36	4,536	2.90%	4,137	3.1%	92.7%
Unnnamed Hotel (Downtown Crossing)	250	30	7,500	4.79%	6,839	6.2%	77.2%
SUBJECT Hotel	250	30	7,500	4.79%	6,839	6.2%	77.2%
	4031		156,628	100.0%	142,834	100.0%	

2013

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	4.51%	6,538	4.6%	98.8%
Holiday Inn Select Boston Government Center	303	41	12,423	7.81%	11,318	7.5%	103.9%
Hyatt Regency Cambridge	469	54	25,326	15.92%	23,074	11.6%	136.8%
Sonesta Hotel Royal	400	42	16,800	10.56%	15,306	9.9%	106.4%
Marriot Boston Cambridge	431	55	23,705	14.90%	21,597	10.7%	139.3%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	1.90%	2,755	2.8%	68.4%
Hotel @ MIT	210	54	11,340	7.13%	10,331	5.2%	136.8%
Residence Inn Boston Cambridge	221	25	5,525	3.47%	5,034	5.5%	63.3%
Hampton Inn Boston Cambridge	114	41	4,674	2.94%	4,258	2.8%	103.9%
Hotel Marlowe	236	27	6,372	4.00%	5,805	5.9%	68.4%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	2.96%	4,286	4.2%	70.9%
Liberty Hotel	298	28	8,344	5.24%	7,602	7.4%	70.9%
Regent Boston Battery Wharf	105	35	3,675	2.31%	3,348	2.6%	88.7%
Court Yard By Marriot	154	26	4,004	2.52%	3,648	3.8%	65.9%
Townplace Suites	126	36	4,536	2.85%	4,133	3.1%	91.2%
Unnnamed Hotel (Downtown Crossing)	250	35	8,750	5.50%	7,972	6.2%	88.7%
SUBJECT Hotel	250	35	8,750	5.50%	7,972	6.2%	88.7%
	4031		159,128	100.0%	144,976	100.0%	

2014

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	39	7,176	4.51%	6,636	4.6%	98.8%
Holiday Inn Select Boston Government Center	303	41	12,423	7.81%	11,488	7.5%	103.9%
Hyatt Regency Cambridge	469	54	25,326	15.92%	23,420	11.6%	136.8%
Sonesta Hotel Royal	400	42	16,800	10.56%	15,535	9.9%	106.4%
Marriot Boston Cambridge	431	55	23,705	14.90%	21,921	10.7%	139.3%
Holiday Inn Express Hotel & Suites Cambridge	112	27	3,024	1.90%	2,796	2.8%	68.4%
Hotel @ MIT	210	54	11,340	7.13%	10,486	5.2%	136.8%
Residence Inn Boston Cambridge	221	25	5,525	3.47%	5,109	5.5%	63.3%
Hampton Inn Boston Cambridge	114	41	4,674	2.94%	4,322	2.8%	103.9%
Hotel Marlowe	236	27	6,372	4.00%	5,892	5.9%	68.4%
Residence Inn Boston Harbor on Tudor Wharf	168	28	4,704	2.96%	4,350	4.2%	70.9%
Liberty Hotel	298	28	8,344	5.24%	7,716	7.4%	70.9%
Regent Boston Battery Wharf	105	35	3,675	2.31%	3,398	2.6%	88.7%
Court Yard By Marriot	154	26	4,004	2.52%	3,703	3.8%	65.9%
Townplace Suites	126	36	4,536	2.85%	4,195	3%	91%
Unnnamed Hotel (Downtown Crossing)	250	35	8,750	5.50%	8,091	6%	89%
SUBJECT Hotel	250	35	8,750	5.50%	8,091	6.2%	88.7%
	4031		159,128	100.0%	147,151	100.0%	

Leisure Segmentation Analysis

2006

Hotel	Number of Rooms	Annual Occupancy	Percent Percent Meeting Demand	Meeting Room Nights Per Year	Meeting Competitive Index	Fair Share	Meeting Market Share	Penetration Factor
Holiday Inn Somerville	184	72%	25%	12,089	66	6.5%	5.95%	92%
Holiday Inn Select Boston Government Center	303	75%	35%	29,031	96	10.6%	14.30%	134%
Hyatt Regency Cambridge	469	74%	30%	38,003	81	16.5%	18.72%	114%
Sonesta Hotel Royal	400	76%	30%	33,288	83	14.0%	16.39%	117%
Marriot Boston Cambridge	431	76%	15%	17,934	42	15.1%	8.83%	58%
Holiday Inn Express Hotel & Suites Cambridge	112	73%	15%	4,476	40	3.9%	2.20%	56%
Hotel @ MIT	210	74%	20%	11,344	54	7.4%	5.59%	76%
Residence Inn Boston Cambridge	221	86.5%	20%	13,955	63	7.8%	6.87%	89%
Hampton Inn Boston Cambridge	114	74.5%	20%	6,200	54	4.0%	3.05%	76%
Hotel Marlowe	236	75%	45%	29,072	123	8.3%	14.32%	173%
Residence Inn Boston Harbor on Tudor Wharf	168	78%	16%	7,653	46	5.9%	3.77%	64%
	2848			203,045		100.0%	100.0%	

2007

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	5.95%	12,826	6.2%	95.3%
Holiday Inn Select Boston Government Center	303	96	29,088	14.26%	30,720	10.3%	138.7%
Hyatt Regency Cambridge	469	81	37,989	18.63%	40,121	15.9%	117.0%
Sonesta Hotel Royal	400	83	33,200	16.28%	35,063	13.6%	119.9%
Marriot Boston Cambridge	431	42	18,102	8.88%	19,118	14.6%	60.7%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	2.20%	4,731	3.8%	57.8%
Hotel @ MIT	210	54	11,340	5.56%	11,976	7.1%	78.0%
Residence Inn Boston Cambridge	221	63	13,923	6.83%	14,704	7.5%	91.0%
Hampton Inn Boston Cambridge	114	54	6,156	3.02%	6,501	3.9%	78.0%
Hotel Marlowe	236	123	29,028	14.23%	30,657	8.0%	177.7%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	3.79%	8,162	5.7%	66.4%
Liberty Hotel	98	8	787	0.39%	831	3.3%	11.6%
	2946		203,965	100.0%	215,411	100.0%	

2008

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	4.82%	10,596	5.7%	85.2%
Holiday Inn Select Boston Government Center	303	96	29,088	11.55%	25,380	9.3%	123.9%
Hyatt Regency Cambridge	469	81	37,989	15.09%	33,146	14.4%	104.6%
Sonesta Hotel Royal	400	83	33,200	13.18%	28,968	12.3%	107.2%
Marriot Boston Cambridge	431	42	18,102	7.19%	15,794	13.3%	54.2%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.78%	3,909	3.4%	51.6%
Hotel @ MIT	210	54	11,340	4.50%	9,894	6.5%	69.7%
Residence Inn Boston Cambridge	221	63	13,923	5.53%	12,148	6.8%	81.3%
Hampton Inn Boston Cambridge	114	54	6,156	2.44%	5,371	3.5%	69.7%
Hotel Marlowe	236	123	29,028	11.53%	25,327	7.3%	158.8%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	3.07%	6,743	5.2%	59.4%
Liberty Hotel	298	128	38,144	15.15%	33,281	9.2%	165.2%
Regent Boston Battery Wharf	105	100	10,500	4.17%	9,161	3.2%	129.1%
	3251		251,822	100.0%	219,719	100.0%	

2009

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	4.68%	10,488	5.4%	86.2%
Holiday Inn Select Boston Government Center	303	96	29,088	11.21%	25,121	8.9%	125.4%
Hyatt Regency Cambridge	469	81	37,989	14.64%	32,808	13.8%	105.8%
Sonesta Hotel Royal	400	83	33,200	12.79%	28,672	11.8%	108.5%
Marriot Boston Cambridge	431	42	18,102	6.98%	15,633	12.7%	54.9%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.73%	3,869	3.3%	52.3%
Hotel @ MIT	210	54	11,340	4.37%	9,793	6.2%	70.6%
Residence Inn Boston Cambridge	221	63	13,923	5.37%	12,024	6.5%	82.3%
Hampton Inn Boston Cambridge	114	54	6,156	2.37%	5,316	3.4%	70.6%
Hotel Marlowe	236	123	29,028	11.19%	25,069	7.0%	160.7%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.98%	6,674	5.0%	60.1%
Liberty Hotel	298	128	38,144	14.70%	32,942	8.8%	167.3%
Regent Boston Battery Wharf	105	125	13,125	5.06%	11,335	3.1%	163.3%
Court Yard By Marriot	77	33	2,541	0.98%	2,194	2.3%	43.1%
Townplace Suites	63	40	2,520	0.97%	2,176	2%	52%
	3,391		259,508	100.0%	224,114	100.0%	

2010

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	4.39%	10,046	5.1%	86.7%
Holiday Inn Select Boston Government Center	303	96	29,088	10.53%	24,064	8.3%	126.1%
Hyatt Regency Cambridge	469	81	37,989	13.75%	31,428	12.9%	106.4%
Sonesta Hotel Royal	400	83	33,200	12.01%	27,466	11.0%	109.1%
Marriot Boston Cambridge	431	42	18,102	6.55%	14,975	11.9%	55.2%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.62%	3,706	3.1%	52.6%
Hotel @ MIT	210	54	11,340	4.10%	9,381	5.8%	71.0%
Residence Inn Boston Cambridge	221	63	13,923	5.04%	11,518	6.1%	82.8%
Hampton Inn Boston Cambridge	114	54	6,156	2.23%	5,093	3.1%	71.0%
Hotel Marlowe	236	123	29,028	10.51%	24,014	6.5%	161.6%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.80%	6,393	4.6%	60.4%
Liberty Hotel	298	128	38,144	13.80%	31,556	8.2%	168.2%
Regent Boston Battery Wharf	105	130	13,650	4.94%	11,292	2.9%	170.8%
Court Yard By Marriot	154	40	6,160	2.23%	5,096	4.2%	52.6%
Townplace Suites	126	65	8,190	2.96%	6,775	3.5%	85.4%
Unnnamed Hotel (Downtown Crossing)	100	70	7,000	2.53%	5,791	2.8%	92.0%
	3631		276,322	100.0%	228,596	100.0%	

2011

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	3.81%	8,885	4.6%	83.5%
Holiday Inn Select Boston Government Center	303	96	29,088	9.13%	21,281	7.5%	121.4%
Hyatt Regency Cambridge	469	81	37,989	11.92%	27,793	11.6%	102.5%
Sonesta Hotel Royal	400	83	33,200	10.42%	24,290	9.9%	105.0%
Marriot Boston Cambridge	431	42	18,102	5.68%	13,244	10.7%	53.1%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.41%	3,278	2.8%	50.6%
Hotel @ MIT	210	54	11,340	3.56%	8,297	5.2%	68.3%
Residence Inn Boston Cambridge	221	63	13,923	4.37%	10,186	5.5%	79.7%
Hampton Inn Boston Cambridge	114	54	6,156	1.93%	4,504	2.8%	68.3%
Hotel Marlowe	236	123	29,028	9.11%	21,237	5.9%	155.6%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.42%	5,654	4.2%	58.2%
Liberty Hotel	298	128	38,144	11.97%	27,907	7.4%	161.9%
Regent Boston Battery Wharf	105	130	13,650	4.28%	9,987	2.6%	164.4%
Court Yard By Marriot	154	40	6,160	1.93%	4,507	3.8%	50.6%
Townplace Suites	126	70	8,820	2.77%	6,453	3.1%	88.5%
Unnnamed Hotel (Downtown Crossing)	250	115	28,750	9.02%	21,034	6.2%	145.5%
SUBJECT Hotel	250	80	20,000	6.28%	14,632	6.2%	101.2%
	4031		318,702	100.0%	233,168	100.0%	

2012

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	3.77%	8,913	4.6%	82.5%
Holiday Inn Select Boston Government Center	303	96	29,088	9.02%	21,349	7.5%	120.0%
Hyatt Regency Cambridge	469	81	37,989	11.78%	27,882	11.6%	101.3%
Sonesta Hotel Royal	400	83	33,200	10.30%	24,367	9.9%	103.8%
Marriot Boston Cambridge	431	42	18,102	5.61%	13,286	10.7%	52.5%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.39%	3,288	2.8%	50.0%
Hotel @ MIT	210	54	11,340	3.52%	8,323	5.2%	67.5%
Residence Inn Boston Cambridge	221	63	13,923	4.32%	10,219	5.5%	78.8%
Hampton Inn Boston Cambridge	114	54	6,156	1.91%	4,518	2.8%	67.5%
Hotel Marlowe	236	123	29,028	9.00%	21,305	5.9%	153.8%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.40%	5,672	4.2%	57.5%
Liberty Hotel	298	128	38,144	11.83%	27,996	7.4%	160.0%
Regent Boston Battery Wharf	105	130	13,650	4.23%	10,018	2.6%	162.5%
Court Yard By Marriot	154	40	6,160	1.91%	4,521	3.8%	50.0%
Townplace Suites	126	70	8,820	2.74%	6,473	3.1%	87.5%
Unnnamed Hotel (Downtown Crossing)	250	120	30,000	9.30%	22,019	6.2%	150.0%
SUBJECT Hotel	250	90	22,500	6.98%	16,514	6.2%	112.5%
	4031		322,452	100.0%	236,665	100.0%	

2013

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	3.75%	9,012	4.6%	82.2%
Holiday Inn Select Boston Government Center	303	96	29,088	8.99%	21,586	7.5%	119.5%
Hyatt Regency Cambridge	469	81	37,989	11.74%	28,191	11.6%	100.9%
Sonesta Hotel Royal	400	83	33,200	10.26%	24,637	9.9%	103.4%
Marriot Boston Cambridge	431	42	18,102	5.59%	13,433	10.7%	52.3%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.38%	3,325	2.8%	49.8%
Hotel @ MIT	210	54	11,340	3.50%	8,415	5.2%	67.2%
Residence Inn Boston Cambridge	221	63	13,923	4.30%	10,332	5.5%	78.5%
Hampton Inn Boston Cambridge	114	54	6,156	1.90%	4,568	2.8%	67.2%
Hotel Marlowe	236	123	29,028	8.97%	21,541	5.9%	153.2%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.39%	5,735	4.2%	57.3%
Liberty Hotel	298	128	38,144	11.78%	28,306	7.4%	159.4%
Regent Boston Battery Wharf	105	130	13,650	4.22%	10,129	2.6%	161.9%
Court Yard By Marriot	154	40	6,160	1.90%	4,571	3.8%	49.8%
Townplace Suites	126	70	8,820	2.72%	6,545	3.1%	87.2%
Unnnamed Hotel (Downtown Crossing)	250	120	30,000	9.27%	22,263	6.2%	149.4%
SUBJECT Hotel	250	95	23,750	7.34%	17,625	6.2%	118.3%
	4031		323,702	100.0%	240,215	100.0%	

2014

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	66	12,144	3.75%	9,147	4.6%	82.2%
Holiday Inn Select Boston Government Center	303	96	29,088	8.99%	21,910	7.5%	119.5%
Hyatt Regency Cambridge	469	81	37,989	11.74%	28,614	11.6%	100.9%
Sonesta Hotel Royal	400	83	33,200	10.26%	25,007	9.9%	103.4%
Marriot Boston Cambridge	431	42	18,102	5.59%	13,635	10.7%	52.3%
Holiday Inn Express Hotel & Suites Cambridge	112	40	4,480	1.38%	3,374	2.8%	49.8%
Hotel @ MIT	210	54	11,340	3.50%	8,542	5.2%	67.2%
Residence Inn Boston Cambridge	221	63	13,923	4.30%	10,487	5.5%	78.5%
Hampton Inn Boston Cambridge	114	54	6,156	1.90%	4,637	2.8%	67.2%
Hotel Marlowe	236	123	29,028	8.97%	21,864	5.9%	153.2%
Residence Inn Boston Harbor on Tudor Wharf	168	46	7,728	2.39%	5,821	4.2%	57.3%
Liberty Hotel	298	128	38,144	11.78%	28,731	7.4%	159.4%
Regent Boston Battery Wharf	105	130	13,650	4.22%	10,281	2.6%	161.9%
Court Yard By Marriot	154	40	6,160	1.90%	4,640	3.8%	49.8%
Townplace Suites	126	70	8,820	2.72%	6,643	3%	87%
Unnnamed Hotel (Downtown Crossing)	250	120	30,000	9.27%	22,597	6%	149%
SUBJECT Hotel	250	95	23,750	7.34%	17,889	6.2%	118.3%
	4031		323,702	100.0%	243,818	100.0%	

Extended Stay Segmentation Analysis

2006

Hotel	Number of Rooms	Annual Occupancy	Percent Percent Meeting Demand	Meeting Room Nights Per Year	Meeting Competitive Index	Fair Share	Meeting Market Share	Penetration Factor
Holiday Inn Somerville	184	72%	0%	0	0	0.0%	0.00%	0%
Holiday Inn Select Boston Government Center	303	75%	0%	0	0	0.0%	0.00%	0%
Hyatt Regency Cambridge	469	74%	0%	0	0	0.0%	0.00%	0%
Sonesta Hotel Royal	400	76%	0%	0	0	0.0%	0.00%	0%
Marriot Boston Cambridge	431	76%	0%	0	0	0.0%	0.00%	0%
Holiday Inn Express Hotel & Suites Cambridge	112	73%	0%	0	0	0.0%	0.00%	0%
Hotel @ MIT	210	74%	0%	0	0	0.0%	0.00%	0%
Residence Inn Boston Cambridge	221	86.5%	60%	41,865	189	56.8%	61.41%	108.1%
Hampton Inn Boston Cambridge	114	74.5%	0%	0	0	0.0%	0.00%	0%
Hotel Marlowe	236	75%	0%	0	0	0.0%	0.00%	0%
Residence Inn Boston Harbor on Tudor Wharf	168	78%	55%	26,306	157	43.2%	38.59%	89.4%
	2848			68,171		100.0%	100.0%	

2007

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	61.29%	44,329	56.8%	107.9%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	38.71%	27,992	43.2%	89.6%
Liberty Hotel	98	0	0	0.00%	0	0.0%	0.0%
	2946		68,145	100.0%	72,321	100.0%	

2008

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	61.29%	45,215	56.8%	107.9%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	38.71%	28,552	43.2%	89.6%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
	3251		68,145	100.0%	73,768	100.0%	

2009

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	54.94%	41,342	48.9%	112.4%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	34.70%	26,106	37.2%	93.3%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	77	0	0	0.00%	0	2.3%	0.0%
Townplace Suites	63	125	7,875	10.36%	7,795	13.9%	74%
	3,391		76,020	100.0%	75,243	102.3%	

2010

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184		0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303		0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469		0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400		0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431		0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112		0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210		0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	49.05%	37,645	42.9%	114.3%
Hampton Inn Boston Cambridge	114		0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236		0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	30.97%	23,772	32.6%	95.0%
Liberty Hotel	298		0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105		0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	154		0	0.00%	0	0.0%	0.0%
Townplace Suites	126	135	17,010	19.98%	15,331	24.5%	81.6%
Unnnamed Hotel (Downtown Crossing)	100		0	0.00%	0	0.0%	0.0%
	3631		85,155	100.0%	76,748	100.0%	

2011

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	48.34%	37,838	42.9%	112.6%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	30.52%	23,894	32.6%	93.6%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	154	0	0	0.00%	0	0.0%	0.0%
Townplace Suites	126	145	18,270	21.14%	16,551	24.5%	86.4%
Unnnamed Hotel (Downtown Crossing)	250	0	0	0.00%	0	6.2%	0.0%
SUBJECT Hotel	250	0	0	0.00%	0	6.2%	0.0%
	4031		86,415	100.0%	78,283	112.4%	

2012

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	48.34%	38,595	42.9%	112.6%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	30.52%	24,372	32.6%	93.6%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	154	0	0	0.00%	0	0.0%	0.0%
Townplace Suites	126	145	18,270	21.14%	16,882	24.5%	86.4%
Unnnamed Hotel (Downtown Crossing)	250	0	0	0.00%	0	0.0%	0.0%
SUBJECT Hotel	250	0	0	0.00%	0	0.0%	0.0%
	4031		86,415	100.0%	79,849	100.0%	

2013

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	48.34%	39,367	42.9%	112.6%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	30.52%	24,859	32.6%	93.6%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	154	0	0	0.00%	0	0.0%	0.0%
Townplace Suites	126	145	18,270	21.14%	17,219	24.5%	86.4%
Unnnamed Hotel (Downtown Crossing)	250	0	0	0.00%	0	0.0%	0.0%
SUBJECT Hotel	250	0	0	0.00%	0	0.0%	0.0%
	4031		86,415	100.0%	81,446	100.0%	

2014

Hotel	Number of Rooms	Meeting Competitive Index	Market Share Adjuster	Meeting Market Share	Meeting Room Nights Captured	Fair Share	Penetration Factor
Holiday Inn Somerville	184	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Select Boston Government Center	303	0	0	0.00%	0	0.0%	0.0%
Hyatt Regency Cambridge	469	0	0	0.00%	0	0.0%	0.0%
Sonesta Hotel Royal	400	0	0	0.00%	0	0.0%	0.0%
Marriot Boston Cambridge	431	0	0	0.00%	0	0.0%	0.0%
Holiday Inn Express Hotel & Suites Cambridge	112	0	0	0.00%	0	0.0%	0.0%
Hotel @ MIT	210	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Cambridge	221	189	41,769	48.34%	40,154	42.9%	112.6%
Hampton Inn Boston Cambridge	114	0	0	0.00%	0	0.0%	0.0%
Hotel Marlowe	236	0	0	0.00%	0	0.0%	0.0%
Residence Inn Boston Harbor on Tudor Wharf	168	157	26,376	30.52%	25,356	32.6%	93.6%
Liberty Hotel	298	0	0	0.00%	0	0.0%	0.0%
Regent Boston Battery Wharf	105	0	0	0.00%	0	0.0%	0.0%
Court Yard By Marriot	154	0	0	0.00%	0	0.0%	0.0%
Townplace Suites	126	145	18,270	21.14%	17,564	24.5%	86%
Unnnamed Hotel (Downtown Crossing)	250	0	0	0.00%	0	0%	0%
SUBJECT Hotel	250	0	0	0.00%	0	0.0%	0.0%
	4031		86,415	100.0%	83,074	100.0%	

The following data represents the market share and respective segment competitive index. These numbers were utilized in order to derive each segments respective market share adjuster. This number represents a hypothetical allocation of the area's room nights and assumes that any new property added to the market creates an additional demand equal to its room count multiplied by t competitive index. This intermediate step is meant to calculate each property's new market share by dividing the market share adjuster for one property by the total market share adjuster for all the area's hotels.

Segment Competitive Index and Market Share Tables

Commercial Segment

2006		2007		2008		2009		2010		2011		2012		2013		2014	
Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS
158	7.55%	158	7.55%	158	6.67%	158	6.54%	158	6.13%	158	5.35%	158	5.32%	158	5.31%	158	5.31%
80	6.29%	80	6.29%	80	5.56%	80	5.46%	80	5.11%	80	4.46%	80	4.43%	80	4.43%	80	4.43%
135	16.48%	135	16.44%	135	14.54%	135	14.25%	135	13.34%	135	11.65%	135	11.58%	135	11.56%	135	11.56%
153	15.88%	153	15.89%	153	14.05%	153	13.77%	153	12.90%	153	11.26%	153	11.19%	153	11.18%	153	11.18%
180	20.22%	180	20.15%	180	17.81%	180	17.46%	180	16.35%	180	14.27%	180	14.19%	180	14.17%	180	14.17%
173	5.05%	173	5.03%	173	4.45%	173	4.36%	173	4.08%	173	3.56%	173	3.54%	173	3.54%	173	3.54%
162	8.85%	162	8.83%	162	7.81%	162	7.66%	162	7.17%	162	6.26%	162	6.22%	162	6.21%	162	6.21%
78	4.51%	78	4.48%	78	3.96%	78	3.88%	78	3.63%	78	3.17%	78	3.15%	78	3.15%	78	3.15%
177	5.24%	177	5.24%	177	4.63%	177	4.54%	177	4.25%	177	3.71%	177	3.69%	177	3.69%	177	3.69%
123	7.56%	123	7.54%	123	6.66%	123	6.53%	123	6.12%	123	5.34%	123	5.31%	123	5.30%	123	5.30%
54	2.36%	54	2.36%	54	2.08%	54	2.04%	54	1.91%	54	1.67%	54	1.66%	54	1.66%	54	1.66%
0	0	8	0.20%	128	8.76%	128	8.59%	128	8.04%	128	7.02%	128	6.98%	128	6.97%	128	6.97%
0	0	0	0	125	3.01%	135	3.19%	140	3.10%	140	2.70%	140	2.69%	140	2.68%	140	2.68%
0	0	0	0	0	0	30	1.30%	65	4.87%	65	4.96%	65	4.93%	65	4.92%	65	4.92%
0	0	0	0	0	0	75	0.43%	150	1.73%	175	1.51%	175	1.50%	175	1.50%	175	1.50%
0	0	0	0	0	0	0	0	60	1.26%	120	5.52%	125	5.72%	125	5.71%	125	5.71%
0	0	0	0	0	0	0	0	0	0	165	7.59%	170	7.78%	176	8.04%	176	8.04%

Meeting Segment

2006		2007		2008		2009		2010		2011		2012		2013		2014	
Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS
39	5.98%	39	5.92%	39	5.39%	39	5.30%	39	4.99%	39	4.58%	39	4.51%	39	4.51%	39	4.51%
41	10.25%	41	10.24%	41	9.33%	41	9.18%	41	8.64%	41	7.93%	41	7.81%	41	7.81%	41	7.81%
54	20.88%	54	20.88%	54	19.03%	54	18.72%	54	17.61%	54	16.17%	54	15.92%	54	15.92%	54	15.92%
42	13.71%	42	13.85%	42	12.62%	42	12.42%	42	11.68%	42	10.73%	42	10.56%	42	10.56%	42	10.56%
55	19.70%	55	19.55%	55	17.81%	55	17.52%	55	16.48%	55	15.13%	55	14.90%	55	14.90%	55	14.90%
27	2.46%	27	2.49%	27	2.27%	27	2.24%	27	2.10%	27	1.93%	27	1.90%	27	1.90%	27	1.90%
54	9.35%	54	9.35%	54	8.52%	54	8.38%	54	7.88%	54	7.24%	54	7.13%	54	7.13%	54	7.13%
25	4.60%	25	4.56%	25	4.15%	25	4.08%	25	3.84%	25	3.53%	25	3.47%	25	3.47%	25	3.47%
41	3.81%	41	3.85%	41	3.51%	41	3.45%	41	3.25%	41	2.98%	41	2.94%	41	2.94%	41	2.94%
27	5.32%	27	5.25%	27	4.79%	27	4.71%	27	4.43%	27	4.07%	27	4.00%	27	4.00%	27	4.00%
28	3.94%	28	3.88%	28	3.53%	28	3.48%	28	3.27%	28	3.00%	28	2.96%	28	2.96%	28	2.96%
0	0	2	0.16%	28	6.27%	28	6.17%	28	5.80%	28	5.33%	28	5.24%	28	5.24%	28	5.24%
0	0	0	0	25	2.76%	35	2.72%	35	2.56%	35	2.35%	35	2.31%	35	2.31%	35	2.31%
0	0	0	0	0	0	14	0.80%	26	2.78%	26	2.56%	26	2.52%	26	2.52%	26	2.52%
0	0	0	0	0	0	18	0.84%	36	3.15%	36	2.90%	36	2.85%	36	2.85%	36	2.85%
0	0	0	0	0	0	0	0	22	1.53%	30	4.79%	30	4.79%	35	5.50%	35	5.50%
0	0	0	0	0	0	0	0	0	0	30	4.79%	30	4.79%	35	5.50%	35	5.50%

Leisure Segemt

2006		2007		2008		2009		2010		2011		2012		2013		2014	
Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS
66	5.95%	66	5.95%	66	4.82%	66	4.68%	66	4.39%	66	3.81%	66	3.77%	66	3.75%	66	3.75%
96	14.30%	96	14.26%	96	11.55%	96	11.21%	96	10.53%	96	9.13%	96	9.02%	96	8.99%	96	8.99%
81	18.72%	81	18.63%	81	15.09%	81	14.64%	81	13.75%	81	11.92%	81	11.78%	81	11.74%	81	11.74%
83	16.39%	83	16.28%	83	13.18%	83	12.79%	83	12.01%	83	10.42%	83	10.30%	83	10.26%	83	10.26%
42	8.83%	42	8.88%	42	7.19%	42	6.98%	42	6.55%	42	5.68%	42	5.61%	42	5.59%	42	5.59%
40	2.20%	40	2.20%	40	1.78%	40	1.73%	40	1.62%	40	1.41%	40	1.39%	40	1.38%	40	1.38%
54	5.59%	54	5.56%	54	4.50%	54	4.37%	54	4.10%	54	3.56%	54	3.52%	54	3.50%	54	3.50%
63	6.87%	63	6.83%	63	5.53%	63	5.37%	63	5.04%	63	4.37%	63	4.32%	63	4.30%	63	4.30%
54	3.05%	54	3.02%	54	2.44%	54	2.37%	54	2.23%	54	1.93%	54	1.91%	54	1.90%	54	1.90%
123	14.32%	123	14.23%	123	11.53%	123	11.19%	123	10.51%	123	9.11%	123	9.00%	123	8.97%	123	8.97%
46	3.77%	46	3.79%	46	3.07%	46	2.98%	46	2.80%	46	2.42%	46	2.40%	46	2.39%	46	2.39%
0	0	8	0.39%	128	15.15%	128	14.70%	128	13.80%	128	11.97%	128	11.83%	128	11.78%	128	11.78%
0	0	0	0	100	4.17%	125	5.06%	130	4.94%	130	4.28%	130	4.23%	130	4.22%	130	4.22%
0	0	0	0	0	0	33	0.98%	40	2.23%	40	1.93%	40	1.91%	40	1.90%	40	1.90%
0	0	0	0	0	0	40	0.97%	65	2.96%	70	2.77%	70	2.74%	70	2.72%	70	2.72%
0	0	0	0	0	0	0	0	70	2.53%	115	9.02%	120	9.30%	120	9.27%	120	9.27%
0	0	0	0	0	0	0	0	0	0	80	6.28%	90	6.98%	95	7.34%	95	7.34%

Extended Stay

2006		2007		2008		2009		2010		2011		2012		2013		2014	
Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS	Index	MS
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
189	61.41%	189	61.29%	189	61.29%	189	54.94%	189	49.05%	189	48.34%	189	48.34%	189	48.34%	189	48.34%
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
157	38.59%	157	38.71%	157	38.71%	157	34.70%	157	30.97%	157	30.52%	157	30.52%	157	30.52%	157	30.52%
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	125	10.36%	135	19.98%	145	21.14%	145	21.14%	145	21.14%	145	21.14%
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

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